

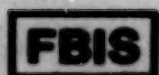
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**26 November 1979**

# **China Report**

**ECONOMIC AFFAIRS**

**No. 29**



**FOREIGN BROADCAST INFORMATION SERVICE**

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## NATIONAL ECONOMIC POLICY

### JOURNAL COMMENTS ON PRIORITY INCREASE IN CAPITAL GOODS

HK261702 Beijing JINGJI YANJIU in Chinese No 9, 20 Sep 79 pp 19-23 HK

[Article by He Juhuang [6320 5468 3552]: "On the Question of Priority Increase in Capital Goods"]

[Text]

I

Priority increase in capital goods is an economic law familiar to us. Its implication is that in the process of the social enlargement of reproduction with the organic composition of capital constantly increased, the growth rate of capital goods is faster than that of consumer goods.

Concerning this law, there is an absolute idea that provided the organic composition of capital increase in the two departments (or the proportions of materialized labor in the product value increase in the two departments) while the condition  $I(v+m) > IIc$  is maintained, capital goods will certainly have a priority growth either over a long or a short period. People often use hypothetical numeral examples to draw short-term (several years) references to "prove" that capital goods will certainly have a yearly priority growth.

In our opinion, this idea is incorrect. In the short term, on the basis of increasing the organic composition of capital and maintaining the condition  $I(v+m) > IIc$ , no conclusion can be drawn that capital goods will certainly have priority growth.

Let us use numeral examples to illustrate this point.

Assuming the composition of product value in the base year is:

I.  $4,000c + 1,000v + 1,000m = 6,000$

II.  $1,500c + 750v + 750m = 3,000$

We will continue to use the two hypotheses Marx and Lenin used when studying the question of reproduction: 1.) The production cycle is 1 year and the constant capital as a whole goes into the product value in 1 year.

2.) The rate of surplus value remains unchanged.

Furthermore, let us assume that in the following year the constant capital is increased by 350 and the variable capital by 75 in department No 1 and the constant capital is increased by 150 and the variable capital by 70 in department No 2. The composition of product value in the following year would be:

$$I. \quad 4,350c + 1,075v + 1,075m = 6,500$$

$$II. \quad 1,650c + 820v + 820m = 3,290$$

During the second year the organic composition of capital increased in both departments: the organic composition of capital increased from 4 to 4.05 ( $= \frac{4,350}{1,075}$ ) in department No 1 and from 2 to 2.1 ( $= \frac{1,650}{820}$ ) in department No 2. At the same time, the condition for enlarging reproduction— $I(v+m) = 2,150 > IIc = 1,650$ —was still maintained during the year. But capital goods did not have a priority growth during the year: the growth rate of capital goods was 8.33 percent ( $= \frac{6,500}{6,000} - 1$ ) and that of consumer goods was 9.67 percent ( $= \frac{3,290}{3,000} - 1$ )—the former being smaller than the latter.

This shows that, with the organic composition of capital increased and the condition  $I(v+m) > IIc$  maintained, capital goods do not necessarily have a priority growth from the first year to the second.

What will happen after that? Let us assume that in the following year the constant capital is increased by 350 and the variable capital by 75 in department No 1 and the constant capital is increased by 150 and the variable capital by 70 in department No 2. Thereupon the compositions of product value in the third year would be:

$$I. \quad 4,700c + 150v + 1,150m = 7,000$$

$$II. \quad 1,800c + 890v + 890m = 3,580$$

During the year the organic composition of capital continues to increase in the the departments (from 4.05 to 4.09 in department No 1 and from 2.01 to 2.02 in department No 2) while at the same time the condition for enlarging reproduction ( $I(v+m) = 2,300 > IIc = 1,800$ ) is maintained, but capital goods still do not have a priority growth (the growth rate of capital goods is 7.7 percent and that of consumer goods 9.0 percent.

If for several years after that the constant capital is increased by 350 and the variable capital by 150 yearly in department No 1 and the constant capital is increased by 150 and the variable capital by 70 yearly in department No 2, then the organic composition of capital in the two departments continues to increase while at the same time  $I(v+m)$  is invariably greater than  $IIc$ . The enlargement of reproduction could go on but the growth rate of capital goods is invariably lower than that of consumer goods.



Perhaps some people will say: Your example assumes that capital in the two departments increases in fixed amounts in the first and last years with the results: 1.) The rate of accumulation is lower year by year. 2.) The relative potentials of reproduction are smaller year by year. 3.) The rate of increase in the organic compositions of capital is slower year by year. This is not reasonable. We admit that these three cases are indeed found in the above example. The point is how we should look at them. It is not right to regard these three cases as a general trend. It is permissible to regard the three cases as things that might happen within a short period of time. But by no means can we preclude the possibility that these things will happen within a short period of time. Therefore, on the basis of our example we may say that in the short term, capital goods will not necessarily have a priority growth.

[HK261/10] Taking a long-term view, will capital goods necessarily have a priority growth? This will depend on the way the organic composition of capital is increased. Provided the organic composition of capital in the two departments increases to a certain extent, capital goods will have a priority growth. Let us use the mathematical formula to illustrate this point.

We will continue to use the two hypotheses mentioned above: 1.) The production cycle is 1 year and the constant capital as a whole goes into the product value in 1 year. 2.) The rate of surplus value remains unchanged.

We will use symbols  $a_1^{(1)}$  and  $a_2^{(1)}$  to represent the composition of capital respectively in department No 1 and department No 2 during the year, and use  $b$  to indicate the constant rate of surplus value. The composition of product value in the first year may be indicated as:

$$W_1^{(1)} = C_1^{(1)} + V_1^{(1)} + M_1^{(1)} = a_1^{(1)} V_1^{(1)} + V_1^{(1)} + b V_1^{(1)} = (a_1^{(1)} + 1 + b) V_1^{(1)}$$

$$W_2^{(1)} = C_2^{(1)} + V_2^{(1)} + M_2^{(1)} = a_2^{(1)} V_2^{(1)} + V_2^{(1)} + b V_2^{(1)} = (a_2^{(1)} + 1 + b) V_2^{(1)}$$

The compositions of product value in 1 year may be indicated as:

$$W_1^{(1)} = C_1^{(1)} + V_1^{(1)} + M_1^{(1)} = a_1^{(1)} V_1^{(1)} + V_1^{(1)} + b V_1^{(1)} = (a_1^{(1)} + 1 + b) V_1^{(1)}$$

$$W_2^{(1)} = C_2^{(1)} + V_2^{(1)} + M_2^{(1)} = a_2^{(1)} V_2^{(1)} + V_2^{(1)} + b V_2^{(1)} = (a_2^{(1)} + 1 + b) V_2^{(1)}$$

The contrast of development rate between capital goods and consumer goods from the first year to the 1 year is:

$$\frac{W_1^{(1)}}{W_1^{(1)}} : \frac{W_2^{(1)}}{W_2^{(1)}} = \frac{(a_1^{(1)} + 1 + b) V_1^{(1)}}{(a_1^{(1)} + 1 + b) V_1^{(1)}} : \frac{(a_2^{(1)} + 1 + b) V_2^{(1)}}{(a_2^{(1)} + 1 + b) V_2^{(1)}} = \frac{(a_1^{(1)} + 1 + b) V_1^{(1)}}{(a_1^{(1)} + 1 + b) V_1^{(1)}} : \frac{(a_2^{(1)} + 1 + b) V_2^{(1)}}{(a_2^{(1)} + 1 + b) V_2^{(1)}}$$

For the convenience of analysis, we multiply the numerators and denominators in the above formulas by  $a_2^{(1)}$  and make a proper change of the order of various factors. This results in:

$$\frac{w_1^{(1)} : w_2^{(1)}}{w_1^{(1)} : w_2^{(1)}} = \frac{(a_2^{(1)} + 1 + b) a_2^{(1)}}{(a_2^{(1)} + 1 + b) a_2^{(1)}} \cdot \frac{a_1^{(1)} + 1 + b}{a_1^{(1)} + 1 + b} \cdot \frac{a_2^{(1)} v_2^{(1)}}{v_1^{(1)}} \cdot \frac{v_1^{(1)}}{a_2^{(1)} v_2^{(1)}} \dots \dots \dots (1)$$

Enlargement of reproduction demands that  $I(v+m)$  must be greater than  $IIC$  in any year. In the 1 year, there should be:

$$(1+b)v_1^{(1)} > a_2^{(1)} v_2^{(1)} \quad \text{or} \quad \frac{v_1^{(1)}}{a_2^{(1)} v_2^{(1)}} > \frac{1}{1+b} \dots \dots \dots (2)$$

Substitute  $\frac{1}{1+b}$  on the right side of formula (2) for

$\frac{v_1^{(1)}}{a_2^{(1)} v_2^{(1)}}$  in formula (1), and we shall get

$$\frac{w_1^{(1)} : w_2^{(1)}}{w_1^{(1)} : w_2^{(1)}} = \frac{(a_2^{(1)} + 1 + b) a_2^{(1)}}{(a_2^{(1)} + 1 + b) a_2^{(1)}} \cdot \frac{a_1^{(1)} + 1 + b}{a_1^{(1)} + 1 + b} \cdot \frac{a_2^{(1)} v_2^{(1)}}{(1+b)v_1^{(1)}} \dots \dots \dots (3)$$

Now let us analyze the right side of formula (3).

First, look at the first factor. From the premise of increasing the organic composition of capital it is known that  $a_2^{(1)} > a_2^{(1)} > 0$ . From this the following inferences may be drawn:

$$a_2^{(1)} > a_2^{(1)} > 0 \Rightarrow \frac{a_2^{(1)}}{a_2^{(1)}} > 1 \Rightarrow \frac{a_2^{(1)}}{a_2^{(1)}} > \frac{1+b}{1+b} \Rightarrow \frac{a_2^{(1)}}{a_2^{(1)}} > \frac{a_2^{(1)} + 1 + b}{a_2^{(1)} + 1 + b} \Rightarrow \frac{a_2^{(1)}}{a_2^{(1)}} \cdot \frac{a_2^{(1)} + 1 + b}{a_2^{(1)} + 1 + b} > 1$$

That is to say, with the organic composition of capital increased in department No 2, the first factor on the right side of formula (3)

$$\frac{(a_2^{(1)} + 1 + b) a_2^{(1)}}{(a_2^{(1)} + 1 + b) a_2^{(1)}} > 1$$

Second, look at the second factor. As  $a_1^{(1)} > a_1^{(1)} > 0$ , it is inferred that

$$\frac{a_1^{(1)} + 1 + b}{a_1^{(1)} + 1 + b} > 1$$

Finally, look at the third factor. The numerator of this factor  $a_2^{(1)} v_2^{(1)}$  is  $I(c)$  of the first year and its denominator  $(1+b)v_1^{(1)}$  is  $I(v+m)$  of the first year. As  $I(v+m) > I(c)$ , the third factor on the right side of formula (3)

$$\frac{a_2^{(1)} v_2^{(1)}}{(1+b)v_1^{(1)}} > 1$$

The question now is: is the product of the above three factors greater than 1? Our view is that in the short term this product is not necessarily greater than 1 but in the long term it is generally greater than 1. The reason is that with the organic composition of capital constantly increased,  $a_1^{(1)}$  and  $a_2^{(1)}$  will grow along with the growth of the time interval  $t-t$  with the result that the first and second factors of formula (3) will grow in the wake of it (this is particularly the case with the second factor whose rate of growth along with the growth of  $a_2^{(1)}$  remains unchanged, hence the growth of its numerical value has no limit). It is conceivable that when the time interval  $t-t$  is quite great,  $a_1^{(1)}$  and  $a_2^{(1)}$  will increase to a certain extent with the result that the product of the three factors on the right side of formula (3) is greater than 1. That is to say, with the organic composition of capital constantly increased in the two departments in the long term the growth rate of capital goods will be faster than that of consumer goods.

Below, we will use concrete hypothetical numeral examples to make additional remarks on the above abstract analysis.

[HK261718] Let us again use the above example, that is, the composition<sup>s</sup> of product value in the first year are:

I.  $4,000c + 1,000v + 1,000m = 6,000$

II.  $1,500c + 750v + 750m = 3,000$

Here  $a_1^{(1)} = \frac{4,000}{1,000} = 4$ ,  $a_2^{(1)} = \frac{1,500}{750} = 2$ ,  $b = 1$ ,  $v_1^{(1)} = 1,000$ ,  $v_2^{(1)} = 750$ .

Substitute them for formula (3) mentioned above, and we get

$$\frac{w_1^{(1)}}{w_2^{(1)}} = \frac{w_2^{(1)}}{w_2^{(1)}} \cdot \frac{(2+1+1)a_2^{(1)}}{(a_2^{(1)}+1+1) \times 2} \cdot \frac{a_1^{(1)}+1+1}{4+1+1} \cdot \frac{2 \times 750}{(1+1) \times 1,000} =$$

$$\frac{a_2^{(1)}}{a_2^{(1)}+2} \cdot \frac{a_1^{(1)}+2}{4} \dots\dots\dots (4)$$

As the organic composition of capital is constantly increased in the two departments (that is,  $a_1^{(1)}$  and  $a_2^{(1)}$  are constantly increased along with the increase of the time interval  $i-1$ ), the numerical value on the right side of formula (4) will sooner or later be greater than 1. Assuming that the organic composition of capital in the two departments increases by 1 percent a year on the average, we discover that in about 25 years the numerical value on the right side of formula (4) will be equal to 1, that is,

$$\frac{a_2^{(26)}+2}{a_2^{(26)}+2} \cdot \frac{a_1^{(26)}+2}{4} = 1.$$

The process of calculation is as follows:

$$a_1^{(1)} = a_1^{(1)} (1 + 0.01)^{i-1} = 4 \times 1.01^{i-1}$$

$$a_2^{(1)} = a_2^{(1)} (1 + 0.01)^{i-1} = 2 \times 1.01^{i-1}$$

Substitute them for formula (4) and we get

$$\frac{2 \times 1.01^{i-1}}{2 \times 1.01^{i-1} + 2} \cdot \frac{4 \times 1.01^{i-1} + 2}{4} = \frac{1.01^{i-1}}{1.01^{i-1} + 1} \cdot \frac{2 \times 1.01^{i-1} + 1}{2}$$

Analyze the equation  $\frac{1.01^{i-1}}{1.01^{i-1} + 1} \cdot \frac{2 \times 1.01^{i-1} + 1}{2} = 1$ , and we get  $i - 1 = 25$ .

This means that, in our example, if the organic composition of capital in the two departments increases by 1 percent a year on the average, then in 25 years the growth rate of capital goods will certainly be faster than that of consumer goods.



## II

In the past, quite a few scholars at home and abroad demonstrated the prior growth of capital goods. Among them Hiroshi Suzuki of Japan and Comrade Ding Xiaokui of our country were influential in using mathematical methods to demonstrate this issue. We feel that their demonstrations are open to question and that it is necessary to point out the problems. Young Japanese scholar Suzuki put forward the following mathematical basis: "Prove the necessity of priority growth of products of department No 1:

1. In the process of enlarging reproduction, the part of past labor in product value keeps increasing while the part of living labor keeps decreasing. 2. Enlargement of reproduction demands  $I(v+m) > IIc$ . We use the following formulas:

$$\frac{I(v+m)}{I(c+v+m)} = a, \quad \frac{IIc}{II(c+v+m)} = B$$

$$I(c+v+m) = P_1, \quad II(c+v+m) = P_2.$$

This may indicate the ratio of  $I(v+m) > IIc$  ( $aP_1 > BP_2$ ).

Along with the increase of labor productivity,  $a$  continues to decrease while  $B$  continues to increase. Therefore, in order to maintain the ratio of  $I(v+m) > IIc$ , it is imperative to make  $P_1$  increase faster than  $P_2$ ."

In our opinion, this demonstration by Hiroshi Suzuki is not correct. His conclusion that "in order to maintain  $I(v+m) > IIc$  it is imperative to make  $P_1$  increase faster than  $P_2$ " is not drawn from strict mathematical inference but from subjective conjecture. Using the above numeral examples, we can easily illustrate the error.

Assume that in the base year  $a = \frac{2,000}{6,000} = \frac{1}{3}$ ,  $B = \frac{750}{1,500} = 1/2$ ,  $P_1 = 6,000$ ,  $P_2 = 3,000$ . And assume that in the following year  $a$  decrease to  $\frac{2,150}{6,500} = 0.3308$  and  $B$  increases to  $\frac{1,650}{3,290} = 0.5012$ .

We say that in order to maintain the ratio  $I(v+m) > IIc$  ( $aP_1 > BP_2$ ),  $P_1$  is not necessarily required to increase faster than  $P_2$ . If  $P_1$  increases to 6,500 and  $P_2$  increases to 3,290, the growth rate of  $P_1$  is 8.33 percent ( $= \frac{6,500}{6,000} - 1$ ) and that of  $P_2$  is 9.67 percent ( $= \frac{3,290}{3,000} - 1$ ). The growth of  $P_1$  is slower than that of  $P_2$  but is still able to fulfill the condition,  $aP_1 > BP_2$  ( $aP_1 = 2,150 > BP_2 = 1,650$ ). This shows that Suzuki's inference is not tenable.

Comrade Ding Xiaokui's demonstration (see JINGJI YANJIU No 4, 1956) led to the following results:

"First, with the accumulation rate in department No 1 and the rate of surplus value remaining unchanged each year, as the organic composition of capital have a priority growth in department No 1 and department No 2 and that in department No 1 increases faster, the production increase in department No 1 is superior to that in department No 2.

"Second, if the accumulation rate and the rate of surplus value are variable, then the growth of the accumulation rate and surplus value rate year by year may accelerate the trend of priority growth of capital goods; if the rate of accumulation and the rate of surplus value decreases year by year, it will slow down this trend. Under the capitalist system, the rate of accumulation and the rate of surplus value, generally speaking, continue to increase. Therefore, the trend of priority growth of capital goods is further accelerated."

[HK261725] In our opinion, Ding's two-point inference is open to question so far as the truthfulness of its premise and the correctness of its inference are concerned. Specifically there are three points:

1. The former conclusion drawn by Ding assumes that the rate of accumulation in department No 1 remains unchanged each year and the latter conclusion affirms that under the capitalist system the rate of accumulation in department No 1 continues to increase. We may reduce these two conclusions to "the rate of accumulation in department No 1 does not decrease each year." In Ding's writings there is an assumption not clearly pointed out, and that is capital does not shift between the two departments and the accumulations in a department are used exclusively for enlarging production in the department. On this assumption the amount of accumulations in department No 1 is equal to the capital growth in department No 1; "the rate of accumulation in department No 1 does not decrease" means that the proportion of capital growth in department No 1 to  $M_1$  does not decrease. This is indicated by symbols as follows:

$$\frac{(C+V)_1^{(1+1)} - (C+V)_1^{(1)}}{M_1^{(1)}} > \frac{(C+V)_1^{(1)} - (C+V)_1^{(i-1)}}{M_1^{(i-1)}} > \frac{(C+V)_1^{(2)} - (C+V)_1^{(1)}}{M_1^{(1)}} \quad (5)$$

We consider that the objective truthfulness of the condition indicated in formula (5) cannot be affirmed. The condition indicated in formula (5) cannot equate to "the rate of accumulation in department No 1 does not decrease." Objectively, capital may shift between the two departments and the accumulations in one department are not necessarily used for enlarging production in the same department. Moreover, on the assumption that the constant capital as a whole goes into product value in 1 year, then the transfer of capital between the two departments at the end of each production cycle is entirely possible. Therefore, even if "under the

capitalist system the rate of accumulation...generally speaking, continues to increase" as Comrade Ding Xiaokui asserts, it cannot be asserted that "the proportion of capital growth in department No 1 to  $M_1$  does not decrease" as indicated in formula (5) is objectively true.

As formula (5) is devoid of an objective basis, it is not convincing to use it as a premise to infer priority growth of capital goods.

2. Ding's conclusion includes a premise of "faster growth of the organic composition in department No 1." In our opinion, this premise is also devoid of an objective basis. Ding did not furnish any facts to show its truthfulness, nor have other people demonstrated its truthfulness. Apart from this, we maintain that it is not necessary to use this premise to demonstrate the priority growth of capital goods. Because of a lack of space in this article we will not elaborate this point here.

3. Ding's conclusion states that the increase in the rate of surplus value will accelerate the trend of priority growth of capital goods. In our opinion, this argument is not necessarily correct. We will use a numerical example to illustrate this question.

Assume that the numerals in the base year are the same as the above. Assume that in the following year the constant capital is increased by 360 and the variable capital by 6 in department No 1 and the constant capital is increased by 140 and the variable capital by 5 in department No 2.

If the rate of surplus value remains unchanged, then the composition of product value in the second year would be:

$$I. \quad 4,360c + 1,006v + 1,006m = 6,372,$$

$$II. \quad 1,640c + 755v + 755m = 3,150.$$

In this way, products increase by 6.2 percent in department No 1 and by 5 percent in department No 2. The former is greater than the latter.

If the rate of surplus value increases, for example, by 15 percent, then the composition of product value in the second year will be as follows:

$$I. \quad 4,360c + 1,000v + 1,157m = 6,523.$$

$$II. \quad 1,640c + 755v + 868m = 3,263.$$

In this way, products increase by 8.72 percent in department No 1 and by 8.77 percent in department No 2. The former is slightly smaller than the latter.

In this example, increase in the rate of surplus value does not accelerate but slows down the trend of priority growth of capital goods. This is diametrically opposite to Comrade Ding's inference.

In short, under conditions of constantly increasing the organic composition of capital, priority growth of capital goods is only a long-term trend but not something that will happen in the short term. It is not correct to think that regardless of the length of time "capital goods will certainly have a priority growth so long as the organic composition of capital increases."

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## **NATIONAL ECONOMIC POLICY**

### **SOVIET SCHOLARS DISCUSS FOUR MODERNIZATIONS**

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[Article by V. I. Akimov, doctor of economic sciences, and V. I. Potapov, candidate of economic sciences: "Four Modernizations: Preliminary Prospects and Reality"]

[Text] The First Session of the Fifth NPC [National People's Congress], which was held in February-March 1978, outlined the strategic objective of the Beijing leadership: To turn China into a "great and strong" power by the end of the century. Session documents noted that by the end of the 20th century, China should "approach, reach or surpass the highest world standard for economic indicators" so as to become one of the world's leading nations in terms of national economic development. The attainment of this objective is being closely associated with the accomplishment of the so-called four modernizations—that is, the modernization of industry, agriculture, military affairs, and science and technology.<sup>1</sup>

This objective was set forth in general terms at the First Session of the Fourth NPC in 1975, the documents of which envisaged the possibility of "developing the national economy in two steps." During the first stage, covering the period up to 1980, an "independent and relatively integral industrial and national economic system" was to be established. During the second stage, up to the end of the present century, agriculture, industry, defense, and science and technology were to be modernized. The First Session of the Fourth NPC requested the PRC State Council to draw up a long-range plan for national economic development, whose fulfillment would establish the prerequisites for the second of these "steps"—making China one of the world's leading nations in terms of national economic development.

The accelerated development of the Chinese economy could be regarded as a positive objective if it was actually aimed at the construction of socialism in the nation, the all-round development of productive forces and the elevation of the Chinese people's material and cultural standard of living.

Experience has shown, however, that the program of the "four modernizations" is serving namely as a means of accomplishing the accelerated militarization of the country, turning China into a strong military power and establishing

a proper material basis for the buildup of military-industrial potential with the aim of "preparing for war." Today the Chinese press is already declaring that the improvement of material conditions for the working public will present an extremely complex problem and that its resolution will take a long time. In other words, the Chinese people are already being prepared to face the fact that the elevation of their financial status will be postponed for an indefinite but lengthy period of time.

The materials of the latest NPC session and the Third Plenum of the CCP Central Committee (December 1978) quite conclusively proved that the Chinese leadership is assigning priority in its policy to preparations for war. In his speech at this session, Hua Guofeng ordered that "the work of preparing for war be lifted to new heights." The actual purpose of the modernization of industry is clear from statements made by Chairman Ye Jianying of the NPC Standing Committee: "We absolutely must speed up the development of the main branches of industry, with emphasis on steel production, to lay a strong foundation for our defense industry and achieve its greater progress."<sup>2</sup>

The Third Plenum of the CCP Central Committee reaffirmed the "existence of the serious danger of war" and pointed out "the need to strengthen the defense capability" of the nation, which was to be the purpose of the program of "four modernizations." Speakers at the plenum confirmed that the foreign policy line of the current Beijing leadership is aimed at further alliance with imperialist powers, the "expansion of the international united front of struggle against hegemonism" and confrontation with the Soviet Union and other socialist countries.

According to the materials of the 11th CCP Congress, the latest NPC session and the Third Plenum of the CCP Central Committee, "the present leaders of China are conducting a generally unified strategic line within the nation and in the international arena in order to achieve the accelerated development of the national economy and the modernization of the armed forces, thereby creating a more solid foundation for great-power ambitions."<sup>3</sup>

The "Basic Premises of the 10-Year Plan for National Economic Development in the PRC During the 1976-1985 Period" were discussed for the first time in many years at an NPC session (1978). The Chinese leadership regards these premises as a point of departure for carrying out the entire long-range economic program. "The period between 1976 and the end of 1985 will be the deciding decade," Hua Guofeng said in his report at this session, "in the attainment of the previously mentioned grand objectives."

In accordance with the materials of the session, an independent economic complex is to be created in each of six economic regions (southwest, northwest, central-south, east-China, north-China and northeast). The rate of increase in the output of all major types of industrial products is to be the highest rate since the founding of the PRC, the output of coal is to double by 1985 and the output of steel is to reach 60 million tons. Plans call for a harvest of 400 million tons of grain in 1985. Objectives have

been set in the development of transportation and the modernization of science and technology, which is regarded by the Beijing leadership as one of the main conditions for the reorganization of the material and technical base of industry and agriculture and the re-equipping of the army. The development of China's foreign economic ties, particularly with the developed capitalist countries and their monopolies, has been assigned an important place in plans for the economic development of this country.

#### **Preliminary Plans for the Modernization of Individual Branches of the Economy**

The following major tasks are to be accomplished in industry during the "deciding decade" (1976-1985):<sup>4</sup>

1. The acceleration of rates of development in major branches and the even further augmentation of industry's leading role in the national economy.
2. The creation of light industry for the manufacture of a variety of high-quality and inexpensive products and the guarantee of a considerable increase in its per capita output.
3. The construction of developed heavy industry, the further development of metallurgy, the fuel industry, power engineering, machine building and other existing branches on a new technical basis, the achievement of a position among the world's leading countries in terms of the output of steel, coal, petroleum and electric energy, and the guarantee that the petrochemical and electronics industries and other new branches will be relatively developed.
4. The substantial reinforcement of the military industry, which should, by utilizing existing production capacities to the fullest, "energetically develop and master the production of modern types of conventional and strategic weapons of better quality and manufacture them in larger quantities."
5. The guarantee of an annual average growth rate exceeding 10 percent in the gross industrial product between 1978 and 1985. During this period, the rate of production growth achieved during the last 28 years must be considerably surpassed for the major types of industrial products.
6. The smelting of 60 million tons of steel in 1985 and the doubling of the quantity of coal mined.<sup>5</sup>
7. The establishment of large industrial bases: 10 bases in ferrous metallurgy, 9 bases in nonferrous metallurgy, 8 coal bases, 10 oil and gas fields, 30 electric power stations and several other industrial facilities. After the construction of the "120 projects" has been completed, 14 relatively sizable and efficiently distributed industrial bases are to be established in addition to existing industrial enterprises.

In view of the fact that production capacities have been underutilized, as the Chinese press has pointed out, in industry for a long time for a number



of reasons,<sup>6</sup> the augmentation of production at existing facilities has been judged necessary in the coming eight-year period, particularly in the next three years. In connection with this, plans call for an efficient combination of the utilization of existing reserves, the introduction of technical improvements and the remodeling of existing enterprises with the construction of new enterprises. Specialization and cooperation are to be accomplished on a broad scale (these forms of production organization were severely undermined by Mao Zedong's "Great Leap Forward" and "Cultural Revolution"). The Chinese leadership hopes to "gain time, accelerate speed and economize on investments" in this way.

In the area of capital construction, it was deemed necessary to elevate planning standards, concentrate efforts on major construction projects and strive for high quality in construction work and the rapid formation of "comprehensive production capacities." The importance of the construction and operations of small and medium-sized enterprises was reiterated. All provinces, cities of central jurisdiction and autonomous regions were requested to utilize local resources for the energetic establishment of small and medium-sized coal mines, small electric power stations, open-pit mines and cement and fertilizer plants, to thoroughly reinforce and develop production at small and medium-sized enterprises in ferrous and nonferrous metallurgy and increase the output of chemical raw materials. In contrast to previous years, it is now deemed necessary to include all small and medium-sized enterprises in the state plan, raise the technical and economic level of these enterprises and improve their management. It has been stressed that the requirements of large enterprises must be given primary consideration in the area of material supplies.

Another objective consists in the reorganization of machine building on the basis of specialization and cooperation, work according to a single plan, the standardization, systematization and coordination of products, the manufacture of first-class machines and equipment and higher production standards for the latest complete sets of large-scale and precision equipment.

The following specific tasks have been set in agriculture:

1. During the 1978-1985 period, the annual growth rate of the gross agricultural product should be 4-5 percent.
2. Grain production should reach 400 million tons by 1985.
3. More than 85 percent of the major types of agricultural operations should be mechanized.
4. The per capita area planted to stable high-yield crops and guaranteed against drought and floods should reach one mu.
5. Around 13.5 million hectares of virgin land should be tilled and cultivated.



One of the main objectives of the 10-year plan is the creation of a "solid agricultural base." The plan stresses the need to "mobilize the entire nation for the all-round development of agriculture." The present Chinese leaders believe that agricultural development should be accomplished primarily through "serious study of the progressive experience of Dazhai," the introduction of scientific farming techniques and the quicker mechanization of agricultural operations. Grain production has been declared the deciding link in agricultural development.

Agricultural development is to be accomplished in two basic ways: through the further improvement of the work of 12 large commercial grain cultivation bases and state farms, which are to triple or quadruple shipments of commercial grain within the next 8 years, and through the improvement of work in regions with poor harvests and a grain shortage. These regions have been ordered to not only provide themselves with sufficient grain in the next 2 or 3 years, but also to grow a surplus.

The development of virgin land according to plan, in such a way that plowland will "increase noticeably" from year to year, has been assigned a definite role in agricultural development. In accordance with the principles of specialization and the efficient distribution of enterprises in regions where natural and climatic conditions permit, bases are to be established for the cultivation of cotton, oil-bearing crops, sugar crops and other industrial crops. These bases are to become the main suppliers of these products.

The need for the comprehensive development of forestry, animal husbandry, ancillary crafts and fish farming is specified in the plan in the most general terms.

Just as in the past, great significance is attached to the encouragement of peasants to participate in widespread capital construction in farming, with emphasis on the improvement of soil and irrigation. The state has taken on the responsibility of building large hydraulic engineering units. Emphasis has been placed on the need to continue the construction of small and medium-sized irrigation facilities throughout the nation and to continue the work of improving the land on mountain slopes, red earth and saline soils.

The stricter supervision of "poor production brigades," so that they might reach the level of rich brigades as quickly as possible, has been recognized as one of the important measures of a social nature.

The Chinese leadership announced an increase in budget allocations for investments in agricultural capital construction and contributions to the fund for agricultural assistance, as well as the "proper regulation" of the distribution of materials and equipment.

In the field of transportation and communications, the need to build railway networks and communications systems meeting the requirements of industrial

and agricultural development was pointed out, as well as the need to convert railway transport to electric and diesel power and to accelerate the development of highway, river, sea and air transport. The plan for 1978-1985 calls for the construction of 6 railway trunk lines and 5 major ports (these trunk lines and ports are among the "120 projects" of capital construction).

As the PRC minister of railways announced, the volume of passenger and freight shipments is expected to double between 1978 and 1985. In addition to the construction of 6 new railway trunk lines, 10 existing lines will be remodeled, including the Beijing-Guangzhou and Tianjin-Shanghai lines. The most crowded lines are to be converted to electric power or be equipped with a second set of tracks. During the period in question, the proportion accounted for by electric and diesel locomotives in total freight shipments is to rise from 13 percent to more than 60 percent. At least 80 percent of all materials handling operations, construction work and road maintenance work are to be mechanized.

Among other types of transport, water transport is being given the greatest attention. Five major ports are now being remodeled or built (Shanghai, Tianjin, Huangpu, Lianyonggang and Qinhuangdao). They are to be converted into modern comprehensive and specialized ports. The Great China Canal (Beijing-Hangzhou) is to be remodeled, the necessary work is to be performed on the Yangtze River (cleaning the channel, establishing an automatic dispatcher service, etc.) to increase its freight traffic, and the port of Wuhan is being remodeled and enlarged.

The plans of the Chinese leadership attach great significance to the development of science and technology. Scientific and technical backwardness is to be overcome as quickly as possible.<sup>8</sup> It has been stressed that this is an essential condition for the rapid development of the economy and the consolidation of the military strength of the nation. Judging by the materials of the All-China Conference on Scientific Development (March 1978), the current eight-year plan for scientific and technical development envisages more energetic research activity in 27 fields, among which priority will be given to agriculture, energy sources, the production of materials, electronic computer equipment, laser equipment, space science and technology, high energy physics and genetic engineering.

The task of "achieving definite success" in several leading branches of science and technology has been set to guarantee a low overhead, abundant and stable harvest, and the comprehensive development of agriculture. The need has been emphasized to "contribute to the technical remodeling of all branches of industry," "the discovery of even larger quantities of mineral resources" and, "in particular, the quickest possible transformation of the appearance of such weak links as the fuel industry, electrical power engineering, mining and transportation."<sup>9</sup>

In the field of energy sources, scientific investigation will focus not only on the development of hydraulic and thermal power engineering, but also on

analysis of the possibilities for the use of solar energy, the energy of winds and tides, and geothermal energy and the possibilities for the development of nuclear power engineering. In the area of the production of materials, China is expected to become a leading producer of vanadium and titanium, and approach or surpass the world standard for the technology of copper, aluminum, nickel, cobalt and rare mineral extraction. All of these materials are known to be of great value in various fields of technology, including the military.

Along with the development of applied studies in science and technology, the objective has been set of "giving full attention to theoretical work in the natural sciences, including such fundamental sciences as modern mathematics, high energy physics and molecular biology."

The eight-year plan for scientific and technical development envisages the growth of the scientific personnel staff to 800,000 individuals, the construction of several modern scientific experimental facilities, the creation of a statewide multisectorial system of scientific and technical research and the development of scientific instrument building.

The specific indicators of the 23-year program for economic modernization which pertained to the year 2000 have not been published in the PRC. All that is known, as has already been pointed out, is that China is supposed to match "the world's leading countries" in terms of national economic development. Some ministries, however, have reported their preliminary plans for the development of several important branches. For example, the PRC minister of the coal industry announced that the objective of this branch is to double coal production within the next 10 years and double it once again by the end of this century. In January 1978, a conference was held to discuss the work of the metallurgical industry; the objectives set forth here was an annual increase of 4-6 million tons in cast iron and steel production which will total 92-138 million tons by the year 2000. In the spring of 1977, a conference in Daqing set the objectives of "building approximately 10 oil fields as large as the Daqing field by the end of the 20th century"<sup>10</sup>—that is, according to approximate estimates, of increasing petroleum production to 250-300 million tons.

The approximate plan for the development of electronics industry during the last quarter of our century can be judged from the materials of the All-China Conference to Disseminate the Progressive Experience of Daqing in the Electronics Industry, held at the end of 1977. The long-range plan calls for "acceleration of the campaign to modernize electronics science and technology, the automation of production and management by scientific means to lay a solid foundation for the development of the electronics industry within the next 3 years, the elevation of its general level of development and a sharp rise in this level in its major branches within the next 8 years, the construction of a strong and modern electronics industry and the achievement of the level of the world's leading countries within the next 23 years."<sup>11</sup>



## Possibilities for Carrying Out the Program of the 'Four Modernizations'

The plan to carry out the program of the "four modernizations," this new program of "superindustrialization" or new variation on the "Great Leap Forward," on schedule and on the proposed scale seems absolutely unrealistic. We will attempt to prove this, using such major branches of the Chinese economy as agriculture, electrical power engineering and ferrous metallurgy as an example.

China is encountering tremendous difficulties in the development of agriculture, which is considered to be the basis of the nation's economy, and in the resolution of the food problem. Suffice it to say that the average annual rate of increase in grain yield did not even reach 1.5 percent between 1958 and 1978. According to official PRC statistics, per capita food production in 1977 was the same as in 1955—food production "barely kept up with population growth."<sup>12</sup> The chronic shortage of grain and other types of agricultural products has made it necessary for China to spend substantial currency resources on the purchase of foodstuffs and cotton. For example, China imported 7 million tons of grain in 1977 and 8 million tons in 1978. In 1977 the PRC purchased 160,000 tons of vegetable oil, 362,000 tons of soybeans, 1.6 million tons of sugar, 1.5 million bales of cotton, etc.<sup>13</sup> Purchases of foodstuffs and cotton cost the PRC 1.5 billion dollars each year.

The projected harvest of 400 million tons of grain in 1985 is unrealistic and beyond the capabilities of Chinese agriculture, which will remain one of the most backward branches of the national economy for several decades. During the next 8 years, it will be impossible to radically transform Chinese agriculture, which, as the Chinese press has had to admit, is based on manual labor and distinguished by extremely low labor productivity, low marketability and a low level of accumulations.<sup>14</sup> The achievement of the planned indicator of grain yield for 1985 will necessitate an absolute increase of 16/1 million tons or an annual increase of 20 million tons from 1978 on. The annual rate of grain production growth between 1978 and 1985 will have to rise, according to plan assignments, to over 6 percent, which is four times as high as the actual indicators for the last 20 years. It is more probable that the average annual increase in grain yield will be 2-3 percent, which will produce a harvest of 290-310 million tons of grain in 1985. This volume of grain production will only produce a negligible increase in per capita quantity. The urgency of the food problem will be exacerbated by considerable difficulties in supplying the rapidly growing population with animal husbandry products, fish, vegetables and fruit.<sup>15</sup>

The completion of the program for the modernization of Chinese agriculture by 1985 will require approximately 1.5 million tractors (calculated in conventional 15-horsepower units)—that is, three times as many as in 1977. Moreover, it will be necessary to dramatically improve their quality, master the production of new models, improve their technical maintenance and replace worn-out equipment with new. This kind of complex task seems to be beyond the capabilities of the Chinese economy in its present state. We cannot forget that



only one-tenth of all plowland in China is now being worked with tractors, and that China's supply of tractors per hectare of plowland is equivalent to only 2.5 percent of the U.S. quantity.<sup>16</sup> It is not at all surprising that the Chinese leadership has had to postpone the deadlines for the completion of mechanization. Whereas in 1975 the objective was to mechanize 70 percent of all major agricultural operations by 1980, the unrealistic nature of this plan was already being announced by the end of 1978. The Chinese press has reported that only "selective mechanization" can be accomplished by 1980, meaning that "some regions might surpass the indicator of the mechanization of manual labor in agriculture by 70 percent and others may not reach this level."<sup>17</sup> The more complex task of mechanizing 85 percent of all major agricultural operations by 1985 is obviously impracticable.

It is not likely that China will be able to cultivate around 13.5 million hectares of virgin land effectively enough by 1985. Estimates indicate that this will require more than 20 billion yuan in capital investments,<sup>18</sup> tens of thousands of powerful tractors, sizable quantities of other modern equipment, large-scale land reclamation and irrigation projects, the construction of new mineral fertilizer plants, etc.

The intensive use of chemicals in agriculture has been accompanied by substantial difficulties in China. The emphasis on the construction of a multitude of small chemical fertilizer plants (they produced 69 percent of the total output in 1976) proved to be unjustified because their products were of poor quality and their overhead costs were too high. In recent years, China has resorted to the purchase of 13 large chemical fertilizer plants abroad with a projected output of approximately one million tons a year each. Seven of them have been opened for operation. According to Chinese data, the 1978 output (between January and the beginning of October) totaled 44 million tons of fertilizers.<sup>19</sup> The fertilizer application dosage per hectare of plowland in China, however, is still low (only one-sixth as high, for example, as in Japan).<sup>20</sup>

The Beijing leadership's huge military expenditures are the reason for the meager amounts allocated for the needs of agriculture. According to estimates, agriculture accounts for only 5 percent of all state budget allocations. The further development of agriculture will be connected, to a considerable degree, with the promotion of the line of "self-reliance"—that is, through the self-financing of "people's communes" and production brigades and the more pronounced intensification of the labor of hundreds of millions of peasants.

These are the real prospects for the accomplishment of the so-called modernization of Chinese agriculture.

Now we will examine the state of affairs in electrical power engineering in China.

The output of electric energy in the PRC and in several developed countries in 1977 was the following:

Table 1

Countries	Output of electric energy		Equivalents to PRC figure, number of times in excess	
	Total, billions of kilowatt-hours	Per capita, kilowatt-hours	Total Output	Per capita
World	7,254	1,759	-	11.1
USSR	1,150	4,442	8.4	28.1
United States	2,300	10,609	16.8	67.2
Japan	533	4,681	3.9	29.6
PRC	326.3	5,483	2.4	34.7
England	289.4	5,173	2.1	32.7
PRC	137	158	-	-

Source: "Narodnoye khozyaystvo SSSR v 1977 g." [The National Economy of the USSR in 1977], Moscow, 1978, pp 73-76; PROBLEMY DAL'NEGO VOSTOKA, 1978, No 2, p 30.

We can see from Table 1 that the PRC is lagging far behind the United States and the USSR and considerably behind several other countries in terms of the absolute output of electric energy and that its per capita output is only equivalent to a fraction of the output of many other countries. We could add that in 1977 China was 9th in the world in terms of total electric power production, but only 84th or 85th in terms of per capita production. Estimates indicate that the situation is not likely to change substantially by 1985. By this time, the total output of electric power in the PRC, according to estimates, will not reach 300 billion kilowatt-hours—that is, it will be lower than the 1977 figure for the United States, the USSR, Japan, the FRG and Canada. By 1985, England, and possibly even France, will also be producing more electric power than the PRC.

To match even the present average world level of per capita electric power production (1,759 kilowatt-hours), China will have to produce around 2.1 trillion kilowatt-hours in the year 2000 (with a population estimated at 1.2 billion). This means that the total output of electric power stations will have to be around 490 million kilowatts as opposed to the 42 million kilowatts in 1977.

To achieve this capacity, China will have to increase its output of electric energy by an average of approximately 20 million kilowatts from 1978 on and invest around 20-22 billion yuan in this industry annually. For the sake of comparison we will note that in 1978 the increase in the capacity of electric power stations, including imported equipment, was 4 million kilowatts; moreover, this year was judged a year "marked by a substantial increase in power engineering capacities." According to estimates, expenditures on the needs of capital

construction in electrical power engineering in 1977 were approximately equal to 4 billion yuan. It is also of interest that the annual capacity of equipment manufactured in Chinese power machine-building enterprises did not exceed 4 million kilowatts in 1977, and even these capacities were systematically underutilized. Possibilities for importing equipment are also limited.

All of this would seem to suggest that China will not be able to reach even the present average world level of per capita electric power production by the year 2000 and will still lag behind many other countries in terms of this exceedingly important comprehensive indicator.

The situation is similar in ferrous metallurgy.

Steel production figures for 1977 in the PRC and several developed countries were the following:

Table 2

Countries	Steel production		Equivalents to PRC figure, number of times in excess	
	Total, millions of tons	Per capita kilograms	Total output	Per capita
World	677	164	-	5.9
USSR	147	566	6.1	20.4
United States	116	535	4.8	19.3
Japan	102	899	4.3	32.4
FRG	38.9	654	1.8	23.6
PRC	24	27.7	-	-

Source: "Narodnoye khozyaystvo SSR v 1977, g.," Moscow, 1978, pp 62-67, 77.

In 1977 the PRC was fifth in the world in terms of steel production, lagging particularly far behind the USSR, the United States and Japan, and lagging behind several dozen countries in terms of per capita production.

As we have already noted, the projected output for 1985 is 60 million tons of steel. According to official Chinese data, the output of steel in 1978 totaled 31 million tons (production growth was connected with the improvement of general conditions in ferrous metallurgy, which aided in the complete utilization of existing production capacities; in addition, the production output increased at small enterprises producing low-grade steel). This means that the output of steel should increase by 29 million tons between 1979 and 1985, or by more than 4 million tons each year. New production capacities will have to be augmented on approximately the same scale. Part of this increase can also be derived through the improvement of technology and the organization of production and the better utilization of existing reserves. The major way of achieving this increase, however, will consist in the



construction of costly enterprises of the modern type and the radical remodeling of existing large and medium-sized enterprises with a technical level below the current world standard.

Chinese industry is not capable of supplying PRC metallurgy with enough modern equipment to achieve the planned indicators of steel production in 1985. China is encountering its greatest difficulties in the production of rolling and adjusting equipment, high-powered blowers, oxygen equipment, highly productive complete sets of equipment for large blast furnaces, converters, concentration and sinter plants and equipment for the mining of iron ore. Judging by numerous agreements with firms in capitalist countries, China intends to secure a considerable portion of the increase in ferrous metal production by importing complete and incomplete sets of equipment. In particular, the construction of Boshan Metallurgical Combine, which is one of the "120 large projects" envisaged for the 1978-1985 period, began near Shanghai at the end of 1978 with the aid of the Japanese Nippon Steel Corporation. The combine will include two blast furnaces with a net volume of 4,063 cubic meters each and three oxygen converters with a capacity of 300 tons each. All processes will be computerized. The projected output of the combine is 6 million tons of cast iron and an equivalent quantity of steel. The construction work is being performed in two phases and should be completed by 1983.<sup>21</sup> The construction of the combine will cost 2.5 billion dollars.<sup>22</sup>

According to reports in the foreign press, China is negotiating with firms in Japan, the FRG, England and several other countries on the modernization and doubling of production capacities at the Anshan, Benxi and Shijingshan metallurgical combines and the remodeling of the Wuhan and Taiyuan combines. The possible purchase of equipment for two more large combines with a capacity of 6 million tons of steel each in the provinces of Hebei and Shanxi has also been reported. According to the estimates of Austrian economists, the construction of these new enterprises with foreign assistance and the achievement of a steel production volume of 60 million tons in 1985 will require investments of 30-40 billion dollars, which will be, in our opinion, unrealistic for the PRC.

On the whole, considering the impossibility of importing equipment in the required dimensions, the limited capabilities of domestic machine building, the underdeveloped railway and coking by-product industries and the shortage of material and financial resources, we can assume that China will not be able to guarantee an output of 60 million tons of steel in 1985. Preliminary estimates indicate that the PRC will be unable to surpass the present level of steel production in the USSR and the United States, and possibly Japan, in the year 2000. It will not even be able to match the current average world level of per capita steel production.

In carrying out their program of "four modernizations," the current Chinese leadership is placing great hopes on assistance from the developed capitalist countries in Europe, the United States and Japan. The Chinese press has



stressed that the "energetic development of foreign trade, the flexible use of methods and means conventionally used in international practice, the utilization of foreign financial resources and the implementation of progressive technology will all be essential for the reinforcement of economic construction."<sup>23</sup> China has essentially discarded the principle of "self-reliance" in trade and other economic relations with the capitalist countries and has energetically negotiated with the West during the last 2 or 3 years in regard to the possibility of credit and the establishment of joint industrial enterprises and jointly controlled companies in the PRC. Plans have been drawn up to attract American, English, French, Japanese and other foreign capital into the economy on a broad scale. In order to attract this capital, the Beijing leadership, according to the foreign press, is prepared to pass special laws to guarantee the capitalists a profit on their capital investments.

According to reports in the foreign press, China and Japan are negotiating the possibility of cooperation in the development of energy resources in China, including the working of oil deposits in the southern part of the Bohai gulf, the construction of hydraulic power stations and the working of bituminous coal deposits in the provinces of Shandong and Shanxi.

A new type of cooperation with the West, which is being energetically proposed by China, consists in the conclusion of compensatory transactions, as well as the organization of joint enterprises and the joint development of Chinese natural resources. According to the terms of these agreements, China will receive equipment, assistance in its installation and technology, and will pay for this with the products of the enterprises where the equipment will be used. For example, an English-Chinese agreement on cooperation in the working of nonferrous metal deposits in China envisages the delivery of technology and equipment and the financing of extractive operations on the basis of compensatory transactions and technical assistance in geological prospecting work. The proposed working of oil deposits with the aid of Japan in the Bohai gulf will also be conditional on shipments of oil to compensate Japanese businessmen for their expenditures.

These changes in the foreign economic policy of the current Chinese leadership testify to China's reorientation toward the capitalist countries. The Chinese leadership's course is involving China more and more in the capitalist system of division of labor and will create substantial prerequisites for its increasing economic dependence on the leading imperialist states.

China intends to purchase large quantities of machines and equipment in the world capitalist market during the next decade. According to data in the CHINA BUSINESS REVIEW, published by the National Council on American-Chinese Trade, these purchases could be estimated at 40-43 billion dollars between 1978 and 1985. Machinery and equipment imports of these proportions will give rise to acute financing problems.

In 1978 a Japanese-Chinese private trade agreement was concluded for a period of 8 years and a sum of 20 billion dollars. According to this agreement,

Japan is supposed to supply equipment for industrial enterprises and the latest technology in exchange for Chinese raw materials, mainly petroleum and bituminous coal. Contracts have been signed for the equipment for a metallurgical combine, which is now being built not far from Shanghai.

There have been reports that a consortium of West German banks has declared its willingness to extend credit to China in the amount of 14 billion dollars, including credit for the construction of ferrous metallurgy enterprises. The possibility of credit is also being discussed with monopolies in other capitalist countries of Europe, as well as the United States. An agreement has been signed with the Paris National Bank, envisaging the extension of credit to China in the amount of up to 7 billion dollars to pay for goods imported from France. According to the estimates of foreign experts, the total credit extended by Western countries to China could amount to around 40 billion dollars. These loans are especially designated—they are extended only to finance purchases of machinery and equipment and cannot be used by China at its own discretion.

Government loans extended by the Western countries could become an important source of financing for individual projects. China has expressed an interest in borrowing money from the Japanese Government's fund for international economic cooperation, which extends credit at an interest rate of 3-3.5 percent as against the bank rate of 7.5 percent. The conclusion of credit agreements will depend on the Chinese leadership's specified sum of indebtedness to the capitalist countries.

Up to the present time, imports, including those from the developed capitalist countries, have mainly been financed through exports. This will continue to be the main source of financing in the future. An article entitled "Foreign Trade Must be Considerably Developed" in RENMIN RIBAO stressed that, regardless of the techniques and means employed in the utilization of foreign monetary resources, it will still be necessary to expand exports to pay for imports. "Exports must be developed vigorously," the article stated, "and substantial foreign currency reserves must be created; only this will provide for the constant improvement of our nation's purchasing power."<sup>24</sup> Plans for the expanded production of goods for export stipulate, as the Chinese press has reported, the creation of "export bases and specialized enterprises and shops" and a change in the structure of exports—that is, "in addition to shipments of such traditional export goods as agricultural products and by-products, the products of light industry, textiles, handicrafts and art objects, the proportion accounted for in total exports by industrial commodities, products of the mining industry and durable consumer goods must be considerably augmented."<sup>25</sup>

Great hopes are being placed on the export of petroleum. A dramatic increase in petroleum exports, however, will necessitate its production in greater quantities, as well as its storage and shipment, which could involve considerable difficulties. The last 2 years have proved this. Petroleum exports

to Japan, which is the main consumer of Chinese oil, amounted to 7 million tons in 1978, as against 6.5 million in 1977. Relatively small quantities of petroleum were shipped to the United States (570,000 tons) and Italy (100,000 tons). In addition to petroleum, other products which are to be shipped out of the country in large quantities for the purpose of expanding exports include coal, iron ore and nonferrous metal concentrates—that is, mainly fuel and industrial raw materials.

China has a substantial negative balance of trade with the capitalist countries of the West, and this balance will increase in the future. As a result of a dramatic increase in imports (around 7 billion dollars) in comparison to exports (around 4 billion dollars), the negative balance in China's trade with these countries rose to 3 billion dollars in 1978 in contrast to 1.1 billion in 1977. The projected large purchases of modern weapons in the developed capitalist countries will substantially increase China's debt.

Naturally, a large debt to the capitalist West will have a negative effect on the future economic development of China. The Chinese leadership will have to institute a strict policy of economy in the nation, primarily at the expense of civilian branches of the national economy, which will inevitably perpetuate the low standard of living of the Chinese workers.

In summation, it should be noted that even under the most favorable conditions, including political stability in the nation and adherence to an economic policy aimed at the augmentation of labor productivity through a return to the methods of economic management that were characteristic of the First Five-Year Plan and the period of "regulation," the PRC economy will, at best, match the Soviet level of the early 1970's. In the field of agriculture, even by the year 2000, China, with its population of 1.2 billion, will be unable to match the average world level of per capita production, not to mention the levels of the world's leading nations, including the Soviet Union. Difficulties in carrying out plans for agricultural development will have a negative effect on the entire program of "four modernizations."

Therefore, in spite of its increased purchases of modern equipment abroad, China will not be among the world's leading, economically developed countries by the year 2000; it will be impossible for China to carry out its plans for the production of major industrial and agricultural products and, as a result, China will still lag behind the Soviet Union in terms of economic conditions.

#### FOOTNOTES

1. See "First Session of the Fifth National People's Congress (Documents)," Beijing, 1978, pp 42-43.
2. KRASNAYA ZVEZDA, 19 May 1978.
3. KOMMUNIST, 1978, No 13, p 93.

4. See **RENMIN RIBAO**, 17 March 1978.
5. **Ibid.**, 4 January 1978.
6. Underproduction amounted to 100 billion yuan worth of industrial commodities and 28 million tons of steel just in the 1974-1978 period (**RENMIN RIBAO**, 7 March 1978).
7. A mu is equal to one-fifteenth of a hectare.
8. According to the official data of the **NEW CHINA NEWS AGENCY**, China is 15-20 years behind the developed countries in the practical implementation of many of the latest scientific and technical discoveries.
9. **RENMIN RIBAO**, 7 March 1978.
10. **Ibid.**, 8 May 1977.
11. **Ibid.**, 7 December 1977.
12. **Ibid.**, 6 October 1978.
13. **SOUTH CHINA MORNING POST**, 5 July 1978.
14. **HONGQI**, 1978, No 9.
15. This viewpoint is expressed in one of the articles in the 12 February 1979 issue of **RENMIN RIBAO**.
16. **FAR EASTERN ECONOMIC REVIEW**, 6 October 1978.
17. **RENMIN RIBAO**, 12 November 1978.
18. **Ibid.**, 1 December 1977.
19. **Ibid.**, 4 October 1978.
20. **FAR EASTERN ECONOMIC REVIEW**, 6 October 1978.
21. **RENMIN RIBAO**, 20 December 1978.
22. **FINANCIAL TIMES**, 25 October 1978.
23. **RENMIN RIBAO**, 4 December 1978.
24. **Ibid.**
25. **Ibid.**



## ECONOMIC PLANNING

### ECONOMIC JOURNAL ON PLANNED, MARKET ADJUSTMENTS

HK201602 Beijing JINGJI YANJIU in Chinese No 8, 20 Aug 79 pp 52-57 HK

[Article by Jiang Xuemu [4424 9040 4493]: "On Coordination of Planned Adjustment With Market Adjustment"]

[Text] The existing system of national economic management is, in many respects, manifesting the superiority of the socialist economic system. However, there are also many defects with this system. It fails to satisfy the demands for the speedy development of social productivity. To fulfill the general task of the new era and victoriously build our country into a modernized socialist power by the end of the century the national economic management system must be reformed. The principle for the reform of the national economic system is the coordination of planned and market adjustment in the whole national economy.

#### What Is Market Adjustment?

No matter what kind of society, there is always the objective problem of adjustment in the whole national economy which is linked by the social division of labor. Adjustment simply means the distribution of the total sum of social labor, that is, the means of production and labor force of the whole society, to various departments. This insures the proportionate and harmonious development of various economic departments.

Capitalist production is the most advanced commodity production founded on the system of private ownership by capitalists. As capitalist production, this kind of commodity production is inevitably dominated by the laws of surplus value, competition and the anarchism of production. As commodity production, it is also dominated by the law of value. These economic laws act on capitalist production simultaneously. The capitalist national economy has to be adjusted by the market. The model for this kind of market adjustment is as follows: From "enlargement of production" to "supply exceeding demand" to "reduction of profit" to "reduced production" to "shortage of supply" to "price increases" to "increase of profit" and then back to "enlargement of production."

The above model illustrated that market adjustment is actually one of the forms in which the law of value arbitrarily carries through its role in

the market. This role of the law of value is manifested by the interaction of value mechanism and supply and demand relations in the market. Under capitalism, this role of the law of value manifests itself as a spontaneous force in the market.

However, the spontaneous role of the law of value in the market should not be regarded as the only form of market adjustment. Under capitalism, since all factories and farms are the private property of capitalists, the varieties and quantities of production can only be determined by the rise and fall of prices and the amount of profit. Market adjustment inevitably manifests itself as a blind force which spontaneously exerts its influence from behind the back of the producers. Under socialism, the economic conditions related to commodity production have undergone fundamental changes. Factories and farms have become the public property of the whole people or the collective property of part of the laboring masses. The socialist state controls, on behalf of the whole people, the economic lifelines of the country, the planning organizations which dominate all social production, and the power to determine the prices of industrial and agricultural products. Under these conditions, it is possible for the adjusting effect of the law of value over production and circulation to express itself, not as a spontaneous force, but as a force under the control and conscious utilization of men. Therefore, market adjustment can be fulfilled by the conscious utilization of the law of value by men.

Both these two forms of market adjustment rely on the value mechanism to influence supply and demand. However, since the conditions of the two are different, their defects are also different.

In the first case, various production enterprises must have the right to determine the varieties and quantities as well as the selling prices of their products. Only thus can the production of various types of goods be flexibly adjusted according to changes of supply and demand and the rise and fall of prices. The merit of this form of market adjustment is that there will not be any protracted gap between production and demand. Its fault is that since the law of value manifests itself as a spontaneous force in the market inevitably it will be accompanied by anarchism of production. This unavoidably leads to waste of human, material and financial resources. Meanwhile, in conditions where the supply of commodities fails to meet demand, the balance between commodity supply and the market demand backed up by defraying power has to be maintained by an increase in prices. That is to say, such balance relies on limiting the demand of buyers who have lower purchasing power to satisfy the demand of buyers who have higher purchasing power. This kind of balance between supply and demand benefits those with high incomes at the expense of those with low incomes.

[HK201606]The latter type of market adjustment, in actual facts, is possible only under the socialist system. It is based on the conditions of state control of the right to determine commodity prices as well as a certain degree of self-management of production by the enterprises. There can be

no conscious utilization of the law of value if the state does not reserve the right to determine prices. Similarly, if enterprises do not retain a certain degree of self-management of production and have the varieties and quantities of production rigidly stipulated by the national plan, the value mechanism will have no influence over production. The advantages for the state to carry out this kind of market adjustment by the conscious utilization of the law of value are that production and demand can be adjusted in accordance with the will of men; planned adjustment and market adjustment can coordinate with each other according to the desires of men; and commodity prices will be more stable and without too many fluctuations. All these are beneficial to safeguarding the stable livelihood of the people. Its disadvantage is that prices lack flexibility in reflecting market supply and demand relations. Economic organizations which have the power to determine prices may, for various reasons, fail to stipulate prices rationally. In this case, they may be consciously using the law of value only in name but are actually contradicting it. This not only fails to stimulate the development of the socialist economy but actually obstructs it.

#### Why Do We Need the Coordination of Planned Adjustment and Market Adjustment?

Socialist production is socialized mass production founded on the public ownership of the means of production. Socialized mass production demands the proportionate development of various interconnected production departments. Whereas, public ownership of the means of production provides the objective possibility for centralized planning which enables the proportionate development of various departments of the national economy. The planned and proportionate development of the national economy is the objective law of the socialist economy. Meanwhile, socialist production is also commodity production based on the public ownership of means of production. The law of value is the economic law of commodity production. Both the law of planned development of the national economy and the law of value have their effects on the socialist economy. Thus, to work according to objective economic laws in the management of the national economy entails the fulfillment of the principle of coordination of planned adjustment and market adjustment.

There are certain identities between the objective demands of the law of planned development and the law of value. The law of planned development demands the distribution of the means of production and the labor forces to various departments of the national economy according to the objective proportion of social demands. This aims at insuring the harmonious development of the whole social production. The law of value demands the exchange of various types of goods according to the specific amount of necessary social labor involved in their production to carry out exchange of equal value. The law of value also demands the distribution of the total amount of social labor to various production departments according to social needs. Therefore, both the law of planned development of the national economy and the law of value demand social production to suit social needs. Both of them demand the distribution of social labor (including human labor and

previous labor in the form of the means of production) to the various production departments according to the objective proportion of social demands. This kind of identity of objective demands of the law of planned development and the law of value reveals that planned adjustment and market adjustment can be coordinated and supplement each other. The traditional viewpoint regards the law of value as a disruptive factor. It sees the law of value as inevitably disrupting national economic planning and having no positive effect on the development of the socialist economy. It was believed that the law of value must be "transformed" before it can have any positive role. This kind of erroneous viewpoint is caused by the failure to grasp the identity of objective demands of the law of planned development and the law of value.

However, the means by which the law of planned development fulfills its objective demands is different from that of the law of value. The law of planned development exerts its influence through planned adjustment by the socialist state. National planning organizations formulate national economic development plans according to the objective demands of the basic socialist economic law and the law of planned development of the national economy. This insures that the production of the means of production will satisfy the needs for the replacement of material consumption in the process of production and for enlarged reproduction. This also insures that the production of consumer goods will satisfy the public and individual consumption of the people. This kind of planned adjustment will continue to exist even in the future higher stage of development in which there will be no commodity production. Planned adjustment is not conditioned on the existence of the market. It can achieve the identity of social production and social needs through the indices of output, quality and varieties without using value as an economic lever. [HK201610] The balance between social production and social needs can be achieved under the following conditions: that is, national economic planning can correctly reflect the demands of the basic socialist economic law and the law of planned development while at the same time, the planned indices assigned to the enterprises by the state are accepted by them as the standard of action.

However, social needs are manifold and change with the conditions of production techniques, social economy and social habits. There are a great variety of social products. Each type of product is often produced by quite a number of enterprises all at the same time. It is impossible to bring the production, supply and marketing of the thousands of enterprises in line with an all-embracing national plan and have all the components adjusted perfectly. The reason is that first, as Stalin pointed out: "The law of planned development of the national economy enables our planning organizations to plan social productions correctly. However, possibility should not be confused with reality." (Stalin: Collected Works, "Questions of the Socialist Economy of the USSR," People's Publishing House, 1961, p 6) In actual fact the national plan cannot fully reflect the demands of the law of planned development. Second, within the sphere of the economy of ownership by the whole people, state interests and enterprise interests are



basically identical. However, there are also contradictions. Items in great demand for enlargement of production in the national plan may not be of the greatest benefit to the overall fulfillment of indices such as output and profit, assigned to enterprises by the state. Similarly, items which are most beneficial to the overall fulfillment of state indices by enterprises may not be those having the most urgent need for enlargement of production. This kind of contradiction between state interests and enterprise interests may deprive the national plans of adequate insurance for fulfillment. Third, the state should not issue instructive indices to collectively owned enterprises which have assumed sole responsibilities for profits and loss. Indices from higher authorities should only be used for the enterprises' references. The role of planned adjustment is inevitably weaker within the sphere of collective ownership as compared with that within the sphere of ownership by the whole people.

The limitations of planned adjustment mentioned above together with the existence of the law of value determine that in socialist national economic management, planned adjustment should be supplemented by market adjustment. That is to say, the adjusting effects of the law of value should be used to fulfill the coordination of planned adjustment and market adjustment.

In the coordination of planned adjustment and market adjustment, planned adjustment should play the principal role. This is not only because there is a certain haphazardness in market adjustment but also because the changes of supply, demand and prices in the market are only instructions for the short term growth or reduction of the production of certain goods. It is incapable of pointing out the direction of long-term development for the whole national economy. The objective demand of the basic socialist economic law at a certain period, the trend of development of national construction and the improvement of material and cultural life of the people in 5 years, 10 years or an even longer period of time can only be expressed by national planning. Therefore, larger basic construction projects must be brought in line with national planning and carried out according to the demands stipulated by the national plan. The production of goods vital to the national economy and the livelihood of the people should also be centrally formulated by the national plan. If these goods are for consumption, they must be marketed through the market. If these goods are means of production, they may by-pass the market and be centrally distributed by the resource organizations of the state. Some of them may also pass through the market. Only when planned adjustment is made to play the principal role in the development of the whole national economy can the demands of the basic socialist economic law and the law for the planned development of the national economy be expressed. Only thus can the superiority of the socialist economic system be manifested.

The practice of market adjustment is confined to goods which are of secondary importance to the national economy and the livelihood of the people. The output of these goods, including part of the means of production and the majority of consumer goods, can be determined by enterprises

in accordance with market demand. These goods can be marketed either by state commercial departments or directly by enterprises. The prices of these goods can be formulated by the state or allowed a certain degree of fluctuation according to the supply and demand relations in the market. In other words, market adjustment can be in the form of conscious utilization of the law of value by the state. It may also be in the form of spontaneous effects of the law of value. According to the traditional viewpoints, the latter form was to be found only under the condition of the economy of private ownership and was incompatible with the economy of public ownership. [HK201632] Such viewpoints suggest that in a socialist country, the latter form of market adjustment can be allowed only in places such as the barter trade. According to the same argument, this form of market adjustment should be resolutely abandoned in the socialist market. However, the experiences of Yugoslavia and the state operated negotiated price stores in the early 1960's proved that the socialist economy is not totally incompatible with the spontaneous adjusting effects of the law of value. This form of market adjustment can be more flexible in reflecting and satisfying the needs of consumers. If we can coordinate this form of market adjustment with planned adjustment and persist in the principle of putting planned adjustment in the principal role, it is advantageous for us to allow the law of value a certain degree of spontaneous adjusting effects within a certain sphere in the market.

The coordination of planned adjustment and market adjustment also have the following expressions: in the formulation of production plans for goods under planned adjustment, the effects of the law of value should be taken into consideration. Prices should not deviate too much from value. If prices are unreasonable and seriously violate the objective demands of the law of value, the implementation of national plans will be obstructed. Meanwhile, it does not mean that goods under market adjustment should not be guided by planning. For goods under market adjustment, the state assigns the enterprises concretely formulated indices with regard to output and varieties. However, the state will still try to bring these goods in line with the needs of national construction and improvement of the people's livelihood through economic legislation, economic policies and economic means such as taxation, credits, prices and so on.

In short, the coordination of planned adjustment and market adjustment is the objective demand of the simultaneous actions of the basic socialist economic law, the law for the planned and proportionate development of the national economy and the law of value on socialist production. Any theory or practice which separates or sets planned adjustment against market adjustment is contrary to the demand for working in accordance with objective economic laws.

#### Create Conditions for the Coordination of Planned Adjustment and Market Adjustment

The coordination of planned adjustment and market adjustment in the whole national economy is the principle for reform of the economic management system. This is an inevitable trend. However, the immediate and full

scale coordination of planned adjustment and market adjustment is not yet mature. For the implementation of this principle, the key issue with regard to the collective economy is that the state should provide planned guidance in accordance with the nature of collective ownership. The state should not use the management methods of state enterprises. Rather, collective enterprises should be allowed the autonomy to handle problems of production, exchange and distribution under the preconditions of following state legislation and planned guidance. For the economy of ownership by the whole people, the following conditions are indispensable.

1. Expand the self-management of enterprises. At present, in the relation between the state and state enterprises, the centralization of the state is excess and too rigid. Enterprises have no power of self-management in areas of planning, production, resources, labor and finance. This deprives them of the flexibility to respond to changing needs of national construction, the people's livelihood and the national and international market. It is only natural that state enterprises should obey the planned guidance and financial discipline of the state. Under this precondition, the state should allow enterprises greater power of self-management in the formulation of production plans, technological innovations, replacement of mechanical equipment, organization of the working force, handling daily financial activities and so on. In this way, enterprises will be able to change their production management activities in response to changing national and international market demands. If enterprises are not allowed any measure of self-management, have their hands and feet tied and have no room to maneuver, not only will market adjustment fail to exert any influence, but planning will also fail.

2. Close coordination of state interest, enterprise interest and individual interest. In his article "On the Ten Major Relationships," Comrade Mao Zedong pointed out the correct handling of relations among state, production units and individual producers. Comrade Mao Zedong said: "We should consider not just one side but all three, the state, the collective and the individual." (Mao Zedong: Collected Works, "On the Ten Major Relationships," Vol 5, p 272) This principle proposed by Comrade Mao Zedong found its expression in the "Seventy Points of Industry" during the Cultural Revolution. However, at the very beginning of the Cultural Revolution, Lin Biao and the "gang of four" launched their frenzied attack on the principle of coordination of state, enterprise and individual interests. They totally denied the "Seventy Points for Industry" and vilified the material rewards of the state to enterprises and workers as "revisionist material incentives." [HK201640] Because of the disruption and sabotage of the ultraleftist, revisionist line of Lin Biao and the "gang of four," there was no distinction between good and bad performance in the management of state enterprises. Neither was there any distinction between enterprises which made profits or those which lost money. This kind of management system encouraged enterprises to be satisfied with the status quo and neglect the supply and demand conditions of the market. We must link the performance of enterprise management with the immediate interest of workers to bring the adjusting effects of the market into full



play. This will enable all enterprise staff, from leading cadres down to ordinary workers, to have the obligation of shouldering economic responsibilities as well as the right to enjoy material encouragement. The means of production of state enterprises are the property of the whole people. An enterprise should not enjoy more benefits than others merely to have more advanced equipment or superior conditions (including economic and natural conditions). However, the means of production owned by the whole people are in reality controlled and utilized by the workers of various enterprises. The same means of production under better control and utilization will yield greater economic results. This should be rewarded. These enterprises should be allowed to withdraw more enterprise funds and provide higher wages, rewards and collective welfare for their workers. This does not contradict the socialist principle or damage the nature of socialist ownership by the whole people. In fact, it actually gives better expression to the demand of the socialist principle of remuneration according to work. In this way, all the workers will be interested in fulfilling national planning and satisfying national and international market demands from the perspective of the overall interest of the state as well as from their individual and immediate interest. This is the necessary condition for developing the principle of coordination of planned adjustment and market adjustment.

3. Adjust the relations of industry and commerce. The general situation of relations between industry and commerce within the existing system of ownership by the whole people are as follows: industrial enterprises only care for production while all the products are turned over to the commercial departments for centralized purchase and marketing. This system sets production and circulation apart and gives them the responsibility for different units. This harms the timely response of industrial enterprises to make changes based on market demands and to strengthen management responsibility. This also harms the flexible organization of the goods supply by commercial enterprises according to market demands and the reduction of overstocking. To bring the adjusting effects of the market into full play, the system of centralized purchase and marketing should be abolished with regard to goods under market adjustment. This should be replaced by cooperation of industrial and commercial enterprises through economic contracts. Commercial departments should be allowed to selectively replenish goods from industrial enterprises according to market needs. Meanwhile, industrial enterprises should have the right to market their own products.

4. Allow a certain degree of competition among state enterprises. According to traditional viewpoints, the socialist economy allows only emulation and not competition. It sees competition as confined to the sphere of the capitalist economy. Socialist emulation among enterprises, according to such viewpoints, means making a comparison to see which is the degree more advanced, learning from and catching up with the advanced and helping the backward. It is, of course, correct to say that advanced enterprises are



obliged to help backward enterprises improve production techniques and management. This is an expression of the new cooperative relations among socialist enterprises. However, although the advanced enterprises have lower production consumption and produce superior products, they are not allowed to sell their products at lower prices in the market. If so, the more expensive and inferior products of fellow enterprises will be driven out of the market. This exceeds the bounds of emulation and becomes competition and is not allowed. Meanwhile, the traditional practice was "formulating prices commensurate with quality." Superior goods which have less net consumption in production than the same type of goods in other enterprises are required to sell at a higher price. Meanwhile goods from advanced enterprises are prohibited from entering the market of a certain area by simple administrative measures. This practice, in actual fact, protects the backward.

Of course, under certain conditions, it is necessary to give backward enterprises this kind of protection. For instance, in remote areas which are underdeveloped industrially or in areas of minor nationalities, this kind of protection is essential for a definite period when the industrial enterprises of these areas are still in their infancy. However, protracted adoption of this kind of protection harms society and the backward enterprises themselves. This kind of protection forces consumers to accept expensive goods of inferior quality and prolongs the reduction of irrational labor consumption in production. This also encourages backward enterprises to be content with the status quo and become insensitive to such pressure. [HK201650] Therefore, from the perspective of the overall interests of society, a certain degree of competition should be allowed among socialist enterprises. The purpose is to supervise backward enterprises so they can learn from advanced enterprises and stimulate them to improve their level of production techniques and management. For certain enterprises, there may be insurmountable difficulties which do not allow them to catch up with the advanced enterprises. Advanced enterprises have all the necessary conditions to enlarge production and satisfy social needs. In this case, such backward enterprises should cease production and change the orientation of their production. Using administrative means to force individual enterprises, whose cost of production greatly exceeds society's average cost of production, to maintain production with difficulties will naturally result in great losses of social labor. This is contrary to objective economic laws.

A little bit of competition is especially important to enterprises which are in a position to monopolize the production and marketing of their products. When talking about capitalist monopoly, Lenin said: "Like all monopolies, it inevitably engenders a tendency toward stagnation and decay." (Lenin: Collected Works, "Imperialism, the Highest Stage of Capitalism," Vol 2, p 818) Did Lenin also include socialist monopoly when he talked about "all monopolies?" I think so. The experiences in socialist construction tell us that if socialist industrial enterprises are monopolies, they can become insensitive to the pressure for technological innovation and improvement of management. They can satisfy themselves

with the status quo and become stagnant. Likewise, if socialist commercial enterprises become monopolies, they can be insensitive to the pressure for improving the channels of commodity circulation and services. They can be satisfied with the status quo or even adopt an overbearing manner towards their customers. The tendencies toward stagnation and decay caused by capitalist monopolies are to a great extent compensated by competition. In the socialist economy, in addition to preserving party ideological work and socialist emulation, allowance for a bit of competition will break down the monopoly of a single enterprise. This is beneficial to stimulating the improvement of management by industrial and commercial enterprises. Of course, under the socialist system, the extent and form of competition is a problem which requires the continuous summing up of experiences gained in actual practice.

In implementing the coordination of planned adjustment and market adjustment in the whole national economy, there is still one very important prerequisite. That is, we must basically restore to normalcy the national economy which was seriously dislocated by the disruption and sabotage of Lin Biao and the "gang of four." Before the seriously dislocated proportions have been basically rectified, it is improper to allow price fluctuations and a greater measure of self-management of enterprises over the purchase of raw material, marketing of products and arrangement of production. This will only increase commodity prices, cause purchasing to run all over the place and stimulate going through the backdoor. Therefore, even though it is in accord with the demands of the objective economic law and an inevitable trend of the development for planned adjustment to coordinate with market adjustment in the whole economy, such coordination can only be carried out step by step as the conditions mature in the process of readjustment and reform of the whole national economy. We cannot afford to be impetuous.

CSO: 4006

## ECONOMIC PLANNING

### BRIEFS

COLLECTIVE ENTERPRISES--The Shandong Provincial Economic Commission, in light of the production situation of collective enterprises under the Provincial Second Light Industry Bureau, set forth the following measures to be carried out in collective enterprises: 1. reform all policies, regulations, measures or systems detrimental to the development of collective enterprises, 2. increase investment in collective enterprises as feasible, 3. forbid any party or government department to requisition funds or assets from collective enterprises, 4. respect their power of decision and practice systems of independent accounting and responsibility for profit and loss in such enterprises, 5. improve wages, rewards and other systems concerning the well-being of staff and workers, 6. establish close production, supply and marketing links among these enterprises, and 7. treat such enterprises equally with state enterprises. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 15 Oct 79 SK]

CSO: 4006

## GENERAL ECONOMIC INFORMATION

### BRIEFS

**HEILONGJIANG COMMUNE-RUN ENTERPRISES**--In 1978 there were over 25,800 commune- and brigade-run enterprises in Heilongjiang, averaging 24 in each commune. These enterprises hired more than 437,000 workers and produced 1.13 billion yuan of goods in 1978, or 2.4 times higher than in 1975. Products produced by these enterprises included electronic quartz clocks, copper rods and other copper products, aluminum ingots, blankets, toilet paper, steel wire, machine parts, electronic parts, ginseng, mink fur and wickerwork which has a good market in the United States, Japan, Britain, France and other countries. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 23 Oct 79 OW]

**QINGHAI MARKET WORK CONFERENCE**--The Xining Municipal CCP Committee in Qinghai held a market work conference from 5 to 9 October. (Qiao Jianhua), first secretary of the municipal CCP committee, addressed the meeting. (An Guiming), chairman of the municipal revolutionary committee, made a report on how to improve the market. The meeting pointed out that trade fairs had been held in Xining since last December. This helped solve the problem of shortage of agricultural and subsidiary products in urban areas. The meeting held that it was necessary to further improve market activities, market management, run collectively-owned enterprises well, create more jobs for urban job-seekers and promote trade fairs. [Xining Qinghai Provincial Service in Mandarin 1100 GMT 13 Oct 79 OW]

**SHAANXI COMMENDATION RALLY**--The Shaanxi Provincial Revolutionary Committee held a commendation rally in the Hall of the Xian People's Building on the afternoon of 8 October to commend the advanced enterprises and labor models on Shaanxi's industry, communications and capital construction fronts. Jiang Yi, Lu Jianren, Hu Bingyun, (Song Youtian), Hui Shigong, He Chenghua, (Shi Yizhi), Ma Qingnian and (Liu Geng), responsible comrades of the Shaanxi Provincial CCP and Revolutionary Committees and the Shaanxi military district, attended the rally. Comrade He Chenghua, Standing Committee member of the provincial CCP committee and vice chairman of the provincial revolutionary committee, presided. Responsible comrades of the provincial CCP and revolutionary committees and all provincial departments concerned presented citations and medals of the provincial revolutionary committee to the advanced enterprises and labor models. On behalf of the provincial CCP and revolutionary committee, Comrade Jiang Yi,



secretary of the provincial CCP committee and vice chairman of the provincial revolutionary committee, spoke at the rally. [Xian Shaanxi Provincial Service in Mandarin 1300 GMT 8 Oct 79 HK]

**SHANDONG ECONOMY CONFERENCE**--The Shandong Provincial Economy Society held a conference of its members from 9 to 13 October. The conference shared ideas on economic theory, elected the board of directors and formulated plans for future activities. (Song Yi) was elected chairman of the board. A closing ceremony was held at the conclusion of the conference with (Qiang Xiaochu) and Gao Qiyun, secretaries of the Shandong Provincial CCP Committee, and (Lin Ping), Standing Committee member of the provincial CCP committee, attending. They encouraged the members to be brave in scaling scientific heights and serving the four modernizations. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 15 Oct 79 SK]

**INDUSTRIAL ENTERPRISES' INDEPENDENCE**--Beijing, October 16--A total of 1,233 industrial enterprises across China now have more independence in management and the power to retain part of their profits, reports today's **WORKERS' DAILY** quoting the State Economic Commission. These enterprises were selected for experiment as part of the nation's efforts to readjust the economy and bring into full play the initiative of local enterprises. It is estimated that they will, thanks to the new move, make 1.050 million yuan of more profits by the end of the year than last year. Of this 250 million will be kept by the enterprises. It is reported that these enterprises account for about 30 per cent of the industrial profit of the 21 provinces, municipalities and autonomous regions where they are located. [Text] [OW161221 Beijing XINHUA in English 0259 GMT 16 Oct 79 OW]

**BEIJING INFLATION, FOOD LINES**--Beijing Oct 31 KYODO--Waves of inflation are hitting the daily life of Chinese city dwellers. Beijing citizens queued Wednesday in front of food shops and some of them were seen arguing over someone jumping the line, as they prepared for an average 25 per cent increase in food prices due to go into effect Thursday. Famous restaurants, including those offering Peking ducks also have been heavily crowded recently. Prices of eggs and beef are to be increased by 33 per cent, mutton 40 per cent and pork 28 per cent. Meal charges in restaurants are also to go up accordingly. The food price increases follow rises in China's purchasing prices of agricultural products by an average 24.8 per cent this year to stimulate agricultural production. To lighten the effect of the price increase, China is to give a subsidy of five yuan (about dollar 3.2) to each urban worker and laborer every month from November. However, a young woman in a line at a market said, "Only five yuan subsidy cannot keep up with the price increase." [Text] [OW311215 Tokyo KYODO in English 1155 GMT 31 Oct 79 OW]

GUANGXI 'QUALITY MONTH' CONFERENCE--The Guangxi Regional Revolutionary Committee held a telephone conference on 28 September to sum up and present awards for the activities of the second "Quality Month." The conference presented prizes to 61 fine quality products, 19 advanced workshops, 74 advanced workshifts and 208 advanced individuals. Zhou Guangchun, secretary of the Guangxi Regional CCP Committee and vice chairman of the regional revolutionary committee, presided. Huang Rong, vice chairman of the regional revolutionary committee, spoke. He summed up the achievements of the region in the past year and revealed that improving product quality has been uneven and that some products are still backward. Zhou Guangchun also spoke. He said that the total value of industrial output in August increased by 2.43 percent over July. However, to fulfill the goal of increasing the total value of industrial output for the whole year by 5 percent, a great deal of difficult work still must be done. (Wang Jia), chairman of the Guangxi Economic Committee, announced the names of the prize winners. [Nanning Guangxi Regional Service in Mandarin 1130 GMT 29 Sep 79 HK]

GUANGXI INDUSTRIAL COMMENDATION RALLY--The Guangxi Regional Revolutionary Committee held a rally in the hall of the Guangxi Revolutionary Committee on the afternoon of 29 September to commend the labor models on Guangxi's industry, communications and capital construction fronts. The 51 labor models attending the rally pledged to make even greater contributions to socialist construction. Zhao Maoxun, Zhou Guangchun, Liao Weixiong, Liang Huaxin, (Luo Libin), Huang Rong and (Ren Gengqing), responsible comrades of the Guangxi Regional CCP and revolutionary committees; Li Yindan and (Chen An), advisors to the Guangxi Regional Revolutionary Committee; Shi Zhaotang, vice chairman of the Guangxi Regional CCP Committee; and (He Shumin), (Qin Naize), (Ran Ketan) and (Lu Weidong), responsible people of the Guangxi Federation of Trade Unions, attended the rally. Comrade Huang Rong, vice chairman of the Guangxi Regional Revolutionary Committee, presided. Comrade Zhou Guangchun, secretary of the Guangxi Regional CCP Committee and vice chairman of the regional revolutionary committee, spoke. After Comrade Zhou Guangchun's speech, (Ran Ketan), vice chairman of the Guangxi Federation of Trade Unions, read the decision of the Guangxi Regional Revolutionary Committee on commending the labor models and also the namelist. Next, leading comrades of the Guangxi Regional CCP and revolutionary committees presented prizes to the labor models. [Nanning Guangxi Regional Service in Mandarin 1130 GMT 29 Sep 79 HK]

CSO: 4006

## FINANCE AND BANKING

### BRIEFS

HEILONGJIANG LOANS RECOVERY--As of 10 October, agricultural banks throughout Heilongjiang had recovered farm loans worth 60 million yuan, 60 percent of the total loans granted. Ideological and propaganda work had been done in the countryside before repayment of loans was demanded so that communes, production brigades and teams understood that if more loans were paid back this year, more loans could be granted next year. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 19 Oct 79 OW]

CSO: 4006

## FUELS AND POWER

### COMPREHENSIVE PROSPECTING IN SOUTH CHINA SEA OIL FIELDS UNDERWAY

#### Foreign Companies Prospecting

Hong Kong TA KUNG PAO in Chinese 12 Oct 79 p 1

[Article by correspondent Feng Zhongliang [3301 0112 5328]: "Comprehensive Development of Oil Exploration in South China Sea With Six Wells Gushing Oil in Beibuwan, Officer in Charge of Petroleum Department of Guangdong Petrochemical Bureau Reveals. American Oil Companies Join Prospecting. Submission of Tenders and Drilling of Wells By Foreign Firms Welcome."]

[Text] During August, Guangdong Province brought in a high-yield oil well at the mouth of the Pearl River in the South China Sea. This is a piece of joyous and important news that has attracted world attention.

The other day the correspondent visited the officer in charge at the Petroleum Department of the Guangdong Provincial Petrochemical Bureau in connection with questions about the South China oil fields. He gave the information that comprehensive prospecting in the South China oil fields is already extensively underway. Drilling platforms of the South China Sea Petroleum Prospecting Command and of the South China Sea Geological Survey Command are located in the Beibuwan waters near the Vietnam border where they have sunk 7 exploratory wells to depths of between 2,000 and 3,000 meters. Six of these have gushed oil. Daily output of each well is about 80 to 120 tons. Additionally, 5 exploratory wells have been drilled in the sea at the mouth of the Pearl River opposite the Wanshan Archipelago. The oil production situation for the fifth of these wells is very good.

This officer in charge revealed that the results of geological prospecting show that the geological structure of the South China Sea fully meets basic criteria for petroleum deposits: 1) the floor of the South China Sea consists of a large block of sedimentary rock from several thousand to 10,000 or more meters thick; 2) eons ago the remains of large numbers of marine animals were deposited at the mouth of the Pearl River preparing the conditions for the formation of petroleum; and 3) the geological structure of the mouth of the Pearl River fits the conditions for the formation of petroleum. He indicated that it is an incontestable fact that abundant petroleum resources exist in the South China Sea; it remains only to clarify in just what quantities.



Our country has already gained definite experience in petroleum prospecting, but the drilling equipment and the technology we possess still falls far far short of needs for the development of the petroleum industry. Guangdong Province presently owns four prospecting ships, two of them in the hands of the South China Sea Petroleum Prospecting Command and two in the hands of the South China Sea Geological Survey Command. Guangdong also owns three drilling platforms (well-drilling ships) with two of them in the hands of the Petroleum Prospecting Command and one in the hands of the Geological Survey Command. Without doubt, such a force of several prospecting ships and drilling platforms is much too weak to scour the 900,000 square li at the bottom of the South China Sea for petroleum deposits. According to the disclosures of the officer in charge, in order to hasten prospecting for petroleum in the South China Sea and to learn the full extent of petroleum deposits on the floor of the South China Sea, 16 American petroleum firms were accepted early this year to conduct prospecting in the waters of the South China Sea. The largest among them are Exxon Petroleum Company, Phillips Petroleum Company, Texaco Petroleum Company, Arco Petroleum Company, and Amoco Petroleum Company. The entire South China Sea has been divided into six regions with Exxon in the area at the mouth of the Pearl River, Phillips in the waters opposite the Xiamen-Shantou area, Texaco in the waters to the west of the mouth of the Pearl River near Beibuwan, Arco in the waters to the south of Hainan Island, and Amoco in the waters to the west of Hainan Island in the southern part of Beibuwan.

He indicated that it was planned that all prospecting work would not be completed until the end of next year at the earliest. After the prospecting work is done, well drilling will follow. Our country will use venture contract methods and invite and accept tenders for oil drilling engineering. Foreign firms may use our facilities for well drilling under lease arrangements.

#### High Yield Well Comes In

Hong Kong TA KUNG PAO in Chinese 12 Oct 79 p 1

[Article: "Prospects Good For Oil and Gas in Basin at Mouth of Pearl River, Which Is a Major Discovery In Geological History of Our Country. Total Area Equivalent to Five Hainan Islands With Largest Deposit More Than 6,000 Meters Thick. Use of Foreign Drilling Platforms for Five Wells at the Pearl River Creates New Record in Sea Drilling for Our Country"]

[Text] From countless li across the blue waves of the South China Sea has come happy news: a high-yield oil well has come in at the basin of the mouth of the Pearl River in the South China Sea. Crude oil surged tempestuously from a layer more than 2,000 meters beneath the sea floor. Geophysical prospecting has found oil on the continental shelf of Guangdong Province in the basin at the mouth of the Pearl River over an area of 150,000 square kilometers that is equivalent in size to five Hainan Islands. The largest deposit is more than 6,000 meters thick. It resembles a large cauldron located in the vast seas more than 200 kilometers distant from the mouth of the Pearl River. The finding of this basin with such great petroleum and gas prospects was a major discovery in our country's geological history.

This high-yield well is called "Pearl Well 5." Responsible for opening this well as the No 4 Ocean Geological Survey Brigade, which was an ocean geological unit newly created in 1977 that is comprised mostly of young people. They quickly mastered a sea drilling platform brought in from abroad and this year drilled 2 deep wells of more than 3,000 meters in depth one after the other to pioneer a record for the deepest ocean drilling in our country's geological system.

"Pearl Well 5" is more than 3,100 meters deep and required only 40 days to drill. After producing test amounts of oil from partial oil strata, it gushed forth a flow of high-yield petroleum on 13 August to the amount of 295.7 cubic meters per day. Success with this well demonstrates the accuracy of our country's oceanic geophysical prospecting data, demonstrates the vast abundance of petroleum deposits in the South China Sea, and provides a basis for the development of prospecting operations on South China Sea's petroleum resources.

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CSO: 4006

## FUELS AND POWER

### BRIEFS

**FUJIAN HYDROELECTRIC STATIONS**—This year Fujian Province has built over 260 small hydroelectric stations with an installed capacity of over 23,000 kilowatts. The province is currently building more than 1,400 small hydroelectric stations which will have a total installed capacity of over 390,000 kilowatts. [HK261308 Fuzhou Fujian Provincial Service in Mandarin 0300 GMT 21 Oct 79 HK]

**HEILONGJIANG MARSH GAS**—Heilongjiang Province is popularizing the use of marsh gas in rural areas. In 1978, 500 marsh gas tanks were built, followed by 1,700 additional ones built in 1979. There are two 24-kw marsh gas power stations in the province. To promote the use of marsh gas, the province has trained some 300 marsh gas technicians and over 1,000 backbone marsh gas users among the peasants. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 28 Oct 79 OW]

**JIANGSU ENERGY-SAVING MEETING**—The Jiangsu Provincial Economic Committee held an on-the-spot meeting on saving energy from 23 to 25 October in Nanjing. The meeting popularized the experience of Nanjing Municipality in saving energy. Responsible persons of various prefectural and municipal economic committees and provincial industrial and communications departments attended the meeting. Wang Bingshi, Standing Committee member of the Jiangsu Provincial CCP Committee and vice chairman of the provincial revolutionary committee, addressed the meeting. He called on all departments to strive to reduce consumption of coal, oil and electricity, develop new energy sources and turn oil-burning boilers into coal-burning boilers. Five Nanjing units introduced their experience at the meeting in saving coal. The participants visited the Nanjing Chemical Company and the Nanjing Refinery to witness their success in energy saving. [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 28 Oct 79 OW]

**JIANGSU COAL POWDER UTILIZATION**—The Jiangsu Provincial Construction Commission, the Provincial Electric Power Bureau, the Provincial Construction Material Bureau and the Provincial Construction Engineering Bureau held an on-the-spot meeting in Wuxi Municipality recently on the utilization of coal powder. Bao Houchang, secretary of the provincial CCP committee addressed the meeting and called on all units concerned to popularize the use of coal powder. [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 21 Oct 79 OW]

**JIANGSU ELECTRIC POWER MEETING**--The Electric Power Bureau of the Jiangsu Provincial Economic Commission recently held a provincial discussion meeting in Wujin County on using residual heat for electricity generating. It was attended by the representatives of the prefectural, municipal and county electricity supply bureaus and of the relevant industrial departments in the province. The representatives of some units spoke on their experience in using residual heat. As of September, 38 enterprises have succeeded in using residual heat for electricity generating, and 48 generating sets have been built with a total generating capacity of 150 million kwh annually. This may save more than 70,000 dun of coal. [OW060647 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 29 Oct 79 OW]

**JIANGSU ENERGY CONSERVATION**--The Nanjing Municipal Revolutionary Committee recently sponsored a citywide campaign to save energy. From January to September this year, 130,000 dun of coal, 120 million kwh of electric power and 14,000 dun of fuel oil have been saved in Nanjing, Jiangsu Province. [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 21 Oct 79 OW]

**LIAONING ENERGY CONSERVATION RALLY**--In the wake of the national radio and television broadcasting rally on the energy conservation month campaign, Liaoning Province held a similar rally on 31 October. Hu Yimin, secretary of the Liaoning Provincial CCP Committee, attended and spoke at the rally. He pointed out that Liaoning Province is one of the major industrial bases in China. Its energy consumption amounts to 10 percent of the total energy consumed by the whole country. However, the province has over consumption and large-scale waste in its energy management, thus providing great potential in energy conservation. Comrade Hu Yimin called on the broad masses of staff members and workers on the industrial and communications front throughout the province to resolutely conduct the energy conservation campaign on a grand and spectacular scale and in a realistic manner so as to insure that production will be increased and tempo of production will be accelerated by the energy conservation month campaign, as well as to better fulfill or overfulfill the national economic plans for this year. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 31 Oct 79 SK]

**SHANDONG MARSH GAS MEETING**--The Shandong Provincial Revolutionary Committee held a meeting on the utilization of marsh gas from 5 to 11 October. The meeting pointed out that marsh gas is now not only used in cooking but also in power generation, irrigation, threshing and some processing work. It called on leading persons to strengthen their leadership and actively popularize the utilization of marsh gas. Qin He, secretary of the Shandong Provincial CCP Committee and vice chair of the provincial revolutionary committee, spoke at the meeting. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 15 Oct 79 SK]



**GUANGDONG ELECTRIC POWER**--Guangdong's electric power departments have tapped the potentials of the existing electric power generating equipment and carried out innovations and reforms. By the end of September, the province had increased its power generating capacity by some 40,000 kilowatts and its daily electric power generation by some 900,000 kilowatt-hours. In addition, the province has stepped up the work of tapping the potentials of some 50,000 kilowatts of electric power generating capacity and of a number of transmission and transformer lines. [HK171141 Guangzhou Guangdong Provincial Service in Mandarin 1130 GMT 8 Oct 79 HK]

**HUNAN METHANE CONFERENCE**--The Hunan Provincial Revolutionary Committee held a conference on methane from 5 to 12 October. The participants decided to increase the number of methane tanks in the countryside throughout the province from the present 180,000 to 1 million by 1981. At present, the methane building leadership group in Hunan headed by responsible comrades of the Hunan Provincial CCP Committee has been established to specially manage methane work. Sun Guozhi, secretary of the Hunan Provincial CCP spoke, expressing his resolution to work hard on methane. It is expected that 200,000 new methane tanks will be built throughout the province this year. [Changsha Hunan Provincial Service in Mandarin 2310 GMT 14 Oct 79 HK]

**NANCHANG ELECTRICITY SYMPOSIUM**--The Nanchang Municipal Revolutionary Committee recently held a symposium to exchange experiences in practicing economy in the consumption of electricity in Nanchang, and formulated new measures for economizing on electricity. Since this year, the people in this municipality have made 200 large and small technical innovations, saved 50 million kilowatt-hours of electricity and overfulfilled the whole year's task of saving electricity by 29 percent, effectively pushing forward the four modernizations. From January to September, the total value of industrial output in Nanchang increased by 15.4 percent over the corresponding period of last year. Units which are equipped with condensers to compensate for losses must put them into operation. Units where the work efficiency factors are below 0.85 must adopt measures to turn losses into profits. Units where the work efficiency factors are permanently low and measures are not adopted must absolutely deduct 20 percent of their quota of electricity consumption. [HK250955 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 17 Oct 79 HK]

**QINGHAI POWER TRANSMISSION LINE**--Another super-high tension power transmission line of Qinghai Province--the 67-km (Longyuanha) power line which links the southern part of Xining Municipality with the seat of Haiyan County via Huangzhong and Huangyuan counties--has been completed and will greatly boost industrial, agricultural and pastoral production in areas served by the line. [Xining Qinghai Provincial Service in Mandarin 1100 GMT 13 Oct 79 OW]

**ZHEJIANG COUNTY COAL OUTPUT**--Jiangshan County, Zhejiang Province, fulfilled its 1979 coal output plan 80 days ahead of time. As of 10 October, it had produced 30,700 dun of coal, or 7.2 percent over the same period last year. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 18 Oct 79 OW]

**ZHEJIANG TRANSMISSION LINE**--Hangzhou, Nov 3--A 220,000 volt transmission line was recently erected in Zhejiang Province. This is the tenth line of this kind in the province. The transmission line, which stretches 120 kilometres from Hangzhou to Jiaxing and links with the east China grid, will help increase the capacity of the power supply in Zhejiang Province, especially on the fertile plain between Taihu Lake and Hangzhou, an economic centre in the province. Some 340 reinforced concrete poles and 36 steel towers 40 metres in height support the line, which traverses numerous obstacles such as railways and rivers. In erecting the high voltage transmission line, new techniques were introduced which will ensure high quality while saving on construction materials. [Beijing XINHUA in English 1221 GMT 3 Nov 79 OW]

**ANHUI CONFERENCE ON SAVING ELECTRICITY**--The Anhui Provincial Economic Committee held a provincial work conference on saving electricity from 6 to 8 October in Huainan. From January to August, Anhui Province saved a total of 250 million kilowatt-hours, thus overfulfilling its annual plan for saving electricity by 14.5 percent. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 12 Oct 79 HK]

**ANHUI ELECTRICITY OUTPUT**--The total installed capacity of electricity in Anhui is 119.5 times higher than the early period of liberation. The electricity generated in 1978 is 343.4 times higher than 1949. By the end of 1978, a total of 9,700 km of between 35,000 and 220,000 volts of high tension power transmission wire were installed throughout the province. Some 500 transformer plants were also built. In the 30 years since liberation, seven large and medium thermal electricity plants were built and improved in Huainan, Huaibei, Hefei, Maanshan, Wuhu, Tongling and Anqing. At the same time, many local small electricity plants were built. From October 1976 to July 1978, 475,000 kilowatts of installed capacity thermal electricity were added. At present, the installed capacity of hydroelectricity throughout the province is 336,000 kilowatts. There are also 1,833 small hydroelectric power stations throughout the province with 2,016 generators and an installed capacity of 42,396 kilowatts. At present, there are 460 transformer plants for agricultural use throughout the province with 136,500 km of power transmission wire. Electricity is now available to 70 percent of the communes and 50 percent of the brigades. [HK130231 Hefei Anhui Provincial Service in Mandarin 1100 GMT 29 Sep 79 HK]

**GUANGDONG ELECTRICITY**--The electricity departments in Guangdong have adopted active measures to solve the problems of low cycle transmission. During the past year, these departments have insured that the transmission remains at 50 cycles, ending the abnormal state of low cycle transmission in the past 11 years. Low cycle transmissions can damage the power generating machinery and affect production, communications, the quality of television broadcasts and the accuracy of electric clocks. At present, these departments are gradually improving the electric voltage while stabilizing the transmission cycle. [Guangzhou Guangdong Provincial Service in Mandarin 1130 GMT 16 Oct 79 HK]

## HEAVY INDUSTRY

### BRIEFS

GUANGXI METALLURGY--In early September, the metallurgical system in Guangxi prefulfilled the production plan for 15 metallurgical products including steel, pig iron, aluminum, electrodes and iron ore for the third quarter of this year. [Nanning Guangxi Regional Service in Mandarin 1130 GMT 28 Sep 79 HK]

CSO: 4006

## LIGHT INDUSTRY

### BRIEFS

**SHANXI QUALITY CONTROL**--Industrial and communications departments in Shanxi have tightened product quality control with good results. According to statistics obtained at the end of September, the quality of 84 percent of the province's total 150 major products reached or exceeded record level. A radio and television meeting was recently held by the provincial revolutionary committee in order to commend quality producers. [OW051323 Beijing Domestic Service in Mandarin 0415 GMT 30 Oct 79 OW]

**TIANJIN NEW INVENTION**--Tianjin, 29 Oct--The Tianjin Municipal Textile Industry Research Institute has succeeded in turning out a JFY-1103-type spectrum color-examining apparatus, the first one ever made in China. Experts judge it to be accurate and of fine quality. It is mainly used to examine the color of textile goods and can also be used to examine the color of dye-stuff, paint, ink, chinaware, cement, glass, plastics, paper, film and food. [OW060647 Beijing XINHUA Domestic Service in Chinese 0305 GMT 29 Oct 79 OW]

**HUNAN HANDICRAFTS INDUSTRY**--Changsha, November 1--Agriculturally Hunan Province is making all-out efforts to stimulate its economy by restoring and developing traditional handicrafts. As a result silk embroidery, porcelain, fireworks and other items already account for one-third of the province's light industry output value. With 47 per cent more investment funds over last year and necessary priorities in electric power and coal, hundreds of new varieties of these traditional products have been added since January. For example, besides traditional tapestries and embroidered bed covers, embroidered table-screens, garments and down quilts have been introduced. Outside of the state-owned embroidery works, embroidery work has become an important sideline occupation for more than 20,000 peasant women in the outskirts of the major cities. So far 20 million pieces or a 100 per cent increase this year over last year of high grade Liling porcelain using underglazes or other new techniques have been turned out. This central China province has rich resources of clay, ramie, silk, bamboo, tobacco and tangerines for future development. [Beijing XINHUA in English 1501 GMT 1 Nov 79 OW]



JIANGXI INDUSTRY, COMMUNICATIONS--From January to September 1979, the people in Jiangxi fulfilled 5,809 million yuan of total value of industrial output, accounting for 75.6 percent of the whole year's plan for production increases, an increase of 11.6 percent over the corresponding period of last year. Output in Fuzhou, Yichun, Nanchang Municipality, Ganzhou, Jiujiang and Jinggangshan prefectures increased by 10 percent. Of the 60 main products, output for 43 increased at varying degrees over the corresponding period of last year. Railway transport fulfilled 1,524 tons, accounting for 74 percent of the yearly plan. From January to September, increases in the light and textile products exceeded those of the heavy industry products. This year the light and textile industry produced 1,000 new products. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 19 Oct 79 HK]

SHANDONG INDUSTRIAL ACHIEVEMENTS--The Shandong provincial industrial and communications front has steadily raised its product quality and has created a new level. Of the 100 major industrial products which have undergone the provincial quality inspection, 86 products have been up to or have topped previous peaks. One hundred and seventy products won the provincial honored title of fine quality. In addition, seven products were awarded by the state as being of fine quality with gold or silver medals, including gold medal brandy. During the first three quarters of the year, textile industry enterprises throughout the province increased their total output value by more than 12 percent compared to that of the corresponding period of 1978. On the average, the quality of dressed coal produced by coal-mining enterprises throughout the province has been raised by one grade. In line with this, they have increased their income by 9.5 million yuan. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 25 Oct 79 SK]

CSO: 4006

## CAPITAL CONSTRUCTION

### BRIEFS

HANGZHOU WATER SUPPLY--Hangzhou, Nov 1--A new project which will assure an adequate supply of fresh water all year round went into operation in Hangzhou. Construction of the project began in 1973 and was completed in mid-October of this year. The project consists of one reservoir with a storage capacity of 1.9 million cubic metres of water, a 5,100 metre long underground water channel, a 200 metre long culvert, 270 metre long water tunnel, three pump rooms and other conveyance systems. The designed water storage capacity of the reservoir is sufficient for one week's general and industrial use while the back wash of sea tides generally lasts three or four days. Hangzhou is situated on the lower reaches of the Qiantang River on the coast of the Eastern Sea. In the dry season of late summer and early autumn, the water level gets low, the sea tides flow into the river and the water turns into salt water. This affects industrial production and brings complaints from the public. [Beijing XINHUA in English 1506 GMT 1 Nov 79 OW]

CSO: 4020

## DOMESTIC TRADE

### BEIJING, FIVE PROVINCES FREEZE PRICE OF VEGETABLES

OW031238 Beijing XINHUA in English 1226 GMT 3 Nov 79 OW

[Text] Beijing, November 3 (XINHUA)--Beijing City and five provinces have decided to keep the price of vegetables unchanged during the present rise in non-staple food prices.

According to a joint circular issued by the Central Committee of the Chinese Communist Party and the State Council, retail prices for pork, beef, mutton, poultry, eggs, aquatic products and milk are to be raised, but vegetable prices are to be maintained or raised as little as possible.

Vegetables are an essential part of the traditional diet of the Chinese people, next only to cereals in importance. The prices of cereals are also to remain unchanged for all urban dwellers.

Beijing municipal government has decided to hold the price of Chinese cabbage, the most popular vegetable in this part of China in winter, at the same level as a year ago, and next year all vegetables will be sold at this year's average prices.

At present, the best Chinese cabbage sells for 5.8 cents a kilogramme at the Beijing markets, and for those who buy over 15 kilogrammes at a time, the price is 5 cents a kilo. The prices of other vegetables in Beijing are: raddish 8 cents a kilo, white (Western) cabbage 9 cents, scallion 18 cents, cauliflower 32 cents and sweet pepper 40 cents.

In Anhui, east China, the provincial authorities have told governments at all levels in the province to give guidance to vegetable producers, ensure market supply and keep prices stable. The raising of vegetable prices without authority is to be strictly prohibited, says an official circular.

In Hangzhou, capital of Zhejiang Province, vegetable prices have remained at about the same level in the past two years but the income of vegetable growers near the city has risen through increased production. The municipal vegetable company has decided to improve management, increase the variety of vegetables, and, continue to stabilize prices.

Measures have also been taken in Qinghai, Jiangsu and Shandong provinces to freeze the price of vegetables. In cases where the state vegetable companies suffer losses, these losses are to be borne by the government.

CSO: 4020



## DOMESTIC TRADE

### BRIEFS

**BEIJING COMMODITY PRICES**--Beijing, 29 Oct--Through a recent commodity price inspection by the Beijing Municipal No 2 Services Bureau, a number of commercial and repair service units have reduced their arbitrarily-raised commodity prices and service fares to the original levels. The bureau has also criticized and educated the violators of comparatively serious cases, and taken economic sanctions against them. The price check-up is still in progress. [Beijing XINHUA Domestic Service in Chinese 1445 GMT 29 Oct 79 OW]

**TIANJIN NEW MARKETS**--Tianjin, 22 Oct--Since last May, Tianjin has opened 10 markets for farm and sideline products which have been convenient for the masses and improved the supply of urban commodities. According to incomplete statistics of the Tianjin Municipal Market Administration Department, the volume and value of transactions at various markets from May to September was more than 10 million jin and over 3 million yuan respectively. [Beijing XINHUA Domestic Service in Chinese 0131 GMT 22 Oct 79 OW]

**XINJIANG COMMODITY PRICES**--Departments concerned in the Xinjiang Autonomous Region and Urumqi Municipality recently conducted an investigation of commodity prices, especially the prices of grain, edible oils, meat, candies, pastries, fruits and light industrial products for everyday use. The findings showed that most enterprises implemented the state's price policy. A few cases in which either prices had been raised or product quality lowered were duly dealt with. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 19 Oct 79 OW]

**XIZANG PRICE CONTROL**--The departments concerned in Xizang Province and Lhasa Municipality recently checked the price of some commodities on the Lhasa market. At their request, sellers who had hiked commodity prices without authorization have restored previous prices. The departments concerned are exercising stricter price control in Xizang to prevent violations of government price policy. [Lhasa Xizang Regional Service in Mandarin 1100 GMT 21 Oct 79 OW]

JIANGSU MACHINERY SALE--A total of 56 units including the Capital machinery plant in Beijing held a joint sale exhibition at the (Chengguang) machinery plant in Nanjing, Jiangsu Province, from 17 to 22 October to promote the sale of stockpiled supplies that had been cleared from warehouses. More than 4,800 representatives from 2,100 units throughout the country visited the exhibition and signed purchase contracts valued at 5 million yuan. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 26 Oct 79 OW]

WUHAN COMMODITIES MEETING--On 9 October the Wuhan Municipal Revolutionary Committee held the 1979 meeting on the exchange of third category materials in Wuhan. Attending the opening ceremony were Liu Huinong, (Meng Xiaopeng), (Zhou Yifu) and (Wang Yan), responsible comrades of the Wuhan Municipal Revolutionary Committee, together with 5,000 people. (Wang Yan), vice chairman of the municipal revolutionary committee, presided over the opening ceremony. Liu Huinong, second secretary of the municipal and CCP Committee chairman of the municipal revolutionary committee, delivered the opening speech on behalf of the Wuhan Municipal CCP and revolutionary committees. The materials to be exchanged included department store goods, cultural products, local products, production materials, discarded materials, Chinese and Western medicine, knitted goods, metal, clothes, shoes, agricultural machinery and tools and construction materials. Some 15,000 pieces of goods were on display. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 9 Oct 79 HK]

CSO: 4006

## TRANSPORTATION

### FOURTEEN NEW DOMESTIC AIR ROUTES OPENED

Hong Kong TA KUNG PAO in Chinese 18 Sep 79 p 3

[Article] "Domestic Air Routes Increase By 14 This Year to Match Tourist Business. Air Routes Cover More Than 80 Cities With Beijing As The Center. Increase of 3 International Lines With Increased Number of Flights"

[Text] Xinwenshe Beijing 17 Sept—During the first 8 and one-half months of this year, 14 new domestic air routes and three new international air routes have been opened in our country, and the number of flights has increased.

The 14 new domestic air routes opened this year have been for the purpose of serving the needs of the tourist business. Currently, domestic air routes in our country number more than 160 operating over a 168,840 kilometer route system. An air network, with Beijing at its center, traverses the length and breadth of the land connecting the three municipalities directly under the central government, the 20 provincial capitals, the capitals of the five autonomous districts, and some important industrial bases for a total of more than 80 cities.

Our country's international air routes number 11 and operate over routes totalling 67,800 kilometers. Cities to which our civil aircraft fly are Pyongyang, Rangoon, Karachi, Tokyo, Osaka, Nagasaki, Moscow, Tehran, Addis Ababa, Bucharest, Belgrade, Zurich, Paris, Manila, and Frankfurt. Our country has also signed air transport agreements with more than 30 countries of the world and has established relationships as agents with more than 100 foreign airline companies, thus greatly strengthening connections between our country and other countries of the world.

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## TRANSPORTATION

### SANSHUI-MAOMING RAILWAY CONSTRUCTION

Hong Kong WEN WEI PAO in Chinese 13 Sep 79 p 1

[Article] "Work Progressing Well on Two Large Bridges of the Sanshui-Maoming Railway Connecting Guangzhou, Zhaoqing, and Zhanjiang; Bridge Over Xijiang 1,600 Meters Long; Bridge Over Beijiang 1,300 Meters Long"

[Text] Xinwenshe Guangzhou 12 Se,—Work is progressing smoothly on the key construction projects in Guangdong Province—the two combination railroad and highway bridges crossing the Xijiang and the Beijiang on the Sanshui-Maoming Railway line. As of late August, 14 of the 15 main bridge piers for the Beijiang Bridge were virtually complete. At present, while finishing touches are being put to the main bridge piers, work on the bridge approaches is underway. One of the four main bridge piers of the Xijiang Bridge has been completed following work done during the dry season of winter last year and spring of this year. The Xijiang is currently in flood, so the construction department is concentrating its forces on construction of the bridge approaches while awaiting return of the dry season to continue work on the main piers in the river.

Plans call for linking the Sanshui-Maoming Railway with the Guangzhou-Sanshui Railroad at its point of origin in Sanshui County and then extending it southwestward to cross-scenic Zhaoqing and onward to the southern part of Yunfu County and the county seat of Xinxing County and farther westward. It will traverse Yangchun and go on the Maoming where it will link up with the line from Litang (in Guangxi) to Zhanjiang. A branch line 32 kilometers long will connect with the largest sulfur and iron mines in our country—the Yunfu sulfur and iron mines. The line will total 351 kilometers in length. Once this railroad has been built, land transportation will be vastly improved between Guangzhou and Zhaoqing, Zhanjiang, and areas in Guangxi. At the same time, the sulfur and iron from the mines at Yunfu and the petroleum products from Maoming can be transported to various parts of the country with great significance both for the national economy and for the development of the tourist business. This railway crosses the Beijiang and the Xijiang at Mafang in Sihui County and at Zhaoqing City. The West River Bridge at Zhaoqing measures 1,631 meters in length, and the Beijiang Bridge at Mafang measures 1,377 meters.

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## TRANSPORTATION

### BRIEFS

**ANHUI TRANSPORT ENTERPRISES' PROFIT**--The motor transport enterprises in Anhui made a profit of 28.1 million yuan in the first 9 months of this year, 17.83 percent more than in the corresponding period of last year. By the end of August, Chuxian prefectural motor transport company had submitted a profit of some 2,238 million yuan to the upper level, 54.3 percent more than in the first 9 months of last year. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 13 Oct 79 HK]

**HAINAN COMMUNICATIONS, TRANSPORT**--Before liberation, there were only 1,040 km of rugged highway in Hainan. Most of these highways were located along the coasts and plains. In 1952, the people in Hainan built 296 km of highway on the mountainous areas after working for 2 years. Since liberation, they have built 12,642 km of highways, an increase of 11 times over the period of liberation. Before liberation, there was only one pier in the port of Haikou, but now there are five piers capable of accommodating ships of several thousand tons. The ports in Hainan now have sea routes to link with Guangzhou, Zhanjiang, Shantou and Beihai as well as Japan and Singapore, becoming important trading ports. Before liberation, there was no civilian air transport, but now there are air routes to link with Guangzhou and Zhanjiang. There are also 24 flights to Guangzhou each week, an increase of 20 flights over 1956 per week. [HK160054 Haikou Hainan Island Service in Mandarin 0330 GMT 3 Oct 79 HK]

**HUNAN NAVIGATION CHANNEL**--The navigation channel from the Yuan and Li rivers into the East Dongting Lake via the (Taowei) River is called the (Kaifu) channel. The whole length of the channel is 73 km. After years of preparation, construction of the channel began on 4 July and was completed on 24 September. The (Kaifu) channel is a shortcut from Changde to the Changjiang via Yiyang. The shorter distance can save 3 million yuan yearly in freight transport expenses for the state. [Changsha Hunan Provincial Service in Mandarin 2315 GMT 2 Oct 79 HK]

**HUNAN COMMERCE**--The commerce departments at all levels in Hunan have saved transport fares for the state. In the first half of this year, they have saved 3.59 million yuan of transport fares. During the same period, 200 irrational transport routes had been changed which has saved 970,000 yuan

of expenses. These departments have actively launched transport by rivers, which can save more expenses and reduce the burdens of the railway lines. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 2 Oct 79 HK]

JIANGSU'S FIRST-GRADE HIGHWAY--The Nanjing-Liuhe highway, Jiangsu's first first-grade highway, has been completed and opened to traffic today. It is 24.7 kilometers long and 20 meters wide. The entire highway has seven bridges and 92 culverts. It is an important highway linking five regions in northern Jiangsu. About 8,000 vehicles pass over the highway daily. [OW251431 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 13 Oct 79 OW]

JIANGSU TRANSPORTATION CONFERENCE--The Jiangsu Provincial Economic Committee and Communications Bureau recently held a provincial meeting on through transport in Zhenjiang Municipality. Measures were adopted at the meeting to develop land-water and railway-highway through transport for both passengers and cargo involving 139 bus routes, 31 navigation lines and 8 railway stations. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 19 Oct 79 OW]

JIANGXI HIGHWAY IMPROVEMENT--The (Shengxiandong) highway tunnel between Dingnan and Ganzhou in Jiangxi Province has been completed and open to traffic. The construction of the tunnel, which is 301 meters long, 6.5 meters wide and 6 meters high, started more than 3 years ago. The completion of the tunnel has shortened the distance between Dingnan and Ganzhou. The tunnel is designed for two-lane traffic. The paving of asphalt surface on the 166-km-long highway between Nanchang and Jiujiang was completed in September 1979. The Nanchang Municipal Public Transportation Company, assisted by the Shanghai Municipal Public Transportation Company, has successfully trial-produced a trolleybus with silicon controlled speed governor. [Beijing Domestic Service in Mandarin 0415 GMT 28 Oct 79 OW]

SHANDONG PORT ADMINISTRATION--Qingdao, 20 Oct--The Qingdao Port Administration Bureau in Shandong has cooperated closely with railway departments to reduce the congestion of ships and freight at the port. In 1978 the port handled 20 million dun of cargo, topping 1977 by 71 percent, and more than 75,400 freight cars were loaded. Recently the State Economic Commission, the Ministry of Communications and the Ministry of Railways jointly held an on-the-spot meeting in Qingdao for the exchange of experience in coordinating the efforts of railway departments and ports. The meeting popularized the experience of the Qingdao Port Administration Bureau. [Beijing XINHUA Domestic Service in Chinese 0218 GMT 20 Oct 79 OW]

SHANGHAI OFFSHORE UNLOADING PLATFORM--Shanghai, Nov 4--An offshore loading and unloading platform "shuang fenghai" made from a 100,000-ton ore carrier went into operation recently off the coast of Shanghai. Shanghai harbour accommodates more than 5,000 oceangoing vessels annually and handles one third of the country's import and export commodities. But its navigation channel at the estuary of the Yangtze River is not deep enough for fully loaded large vessels. The platform is used to unload part of the cargo from large ore and grain carriers to reduce their freight before they could enter the port. In order to keep pace with expanding foreign trade, [the] harbour is now building eight major automatic loading and unloading projects in addition to pontoons. [Text] [OW041205 Beijing XINHUA in English 0703 GMT 4 Nov 79 OW]

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